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CITY AND COUNTY OF SAN FRANCISCO

TREASURER & Tax Collector



Annual Report
Fiscal Year 1999-2000
Hon. Susan Leal, Treasurer

www.sfgov.org/tax/annualreport



San Francisco



TREASURER
& Tax Collector

I am delighted to present the Annual Report for the Office of the Treasurer & Tax Collector for Fiscal Year 1999-00. Throughout the year, my staff and I have worked hard to ensure that we are responsive to the needs of our customers. During the past year, we launched a website that allows our customers to conduct business with the Department online. Business owners can now renew their registrations and file their annual statements online for the first time. We have also added U.S. Passport application processing to the services available in the City Payment Center and brought into City Hall the nation's first "talking" ATM. Our new ATM does not impose a surcharge and is accessible to the blind and partially sighted. Moreover, at the end of the fiscal year, total citywide collections topped \$7 billion, the delinquency rate for Unsecured Property Tax was at a record low, and the yield from the investment of the City's pooled funds remained notably above those of comparable counties.

This Annual Report will provide you with a summary of the diverse functions performed by our department. Please also visit our web page at www.sfgov.org/tax, e-mail me at treasurer_taxcollector@ci.sf.ca.us, come to the City Payment Center in City Hall Room 140, or write or call my office if you have further questions or comments. Your views are one of the best measures of the success of our efforts, and I look forward to hearing from you.

Susan Leal
Treasurer





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This report covers the fiscal year from July 1, 1999, through June 30, 2000, and contains information from each operating section with statistical data on performance.

The report is available for download at: <http://www.sfgov.org/tax/annualreport>



STATEMENT OF PURPOSE

Treasurer Susan Leal and her staff serve as the banker, tax collector, collection agent, and investment officer for the government of San Francisco, the only combined City and County in the State of California. The Treasurer, an elective office created by the City Charter in 1850, supervises a department of nine sections that receives over \$7.76 billion and disburses over \$7.65 billion annually.

The *mission* of the Office of the Treasurer & Tax Collector is to:

- Facilitate voluntary compliance with the tax laws of the City and County of San Francisco by simplifying all processes and procedures and by providing efficient and customer-friendly service.
- Collect all taxes and fees due to the City.
- Provide safekeeping for all City funds, prudently investing the monies to achieve maximum yield with low risk and high liquidity.

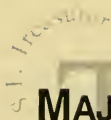
The Office of the Treasurer & Tax Collector serves two broadly-defined functions for the residents of the City and County of San Francisco:

1. The collection of taxes and other city revenue.

Through the mail, in person at the City Payment Center, and now through the Internet, the Department collects taxes and other obligations owed to the City, including business taxes, property taxes, and fees for various business licenses and permits that are required by the Municipal Code. Tax Collection units collect over \$2 billion annually in property taxes, business taxes, and license fees. Additionally, the Department investigates and collects unreported and delinquent tax obligations. Through the City Payment Center and the CityServices website, the Department contracts to collect current and delinquent obligations owed to other City Departments, such as Water Dept. and hospital bills.

2. The oversight of monies before disbursement.

The Treasurer manages all city funds in order to gain the maximum return with low risk and high liquidity, including investing the City's portfolio of pooled funds. The Treasurer works with all City departments to ensure that funds are received, deposited, and reconciled as quickly and accurately as possible, so as to provide maximum interest and investment returns for the people of San Francisco. The Department administers and monitors the bank accounts and wire transactions used by all City agencies and contracts with banks for their services. She also disburses payments on the City's General Obligation municipal bonds.



MAJOR INITIATIVES OF 1999-00

- ♦ **CityBusiness Website Launched.** During FY 1999-00, the Treasurer initiated a project to allow customers to conduct business with the City via the Internet for the first time. At the CityBusiness website, users were able to renew their annual business registration certificates and file their EZ Business Tax Annual Statements online. The Web portal will be relaunched as CityServices (<http://CityServices.sfgov.org>) in the fall of 2000. In FY 2000-01, the website is expected to include such transactions as property tax online payment and lookup; the sale of birth and death certificates; and the issuance of electrical, plumbing, and small building permits.
- ♦ **Accessible ATM Installed.** In October 1999, the Treasurer unveiled the first “talking” ATM in the nation as part of the City Payment Center in City Hall. Supplied with headphones, customers who are blind and disabled can use the ATM without assistance. The ATM, which does *not* impose an additional surcharge on customers, is open for public use and was installed at no cost to the City.
- ♦ **Yield Remains High.** The annual yield of San Francisco pooled funds, managed by the Treasurer, was 5.837%, a remarkably high return in a volatile financial market.
- ♦ **Delinquent Revenue Collections Rise.** Bureau of Delinquent Revenue collections increased more than 22.5% over the previous fiscal year, to over \$37 million. This included a 29% rise in Clearance/Business Tax collections and a 53% gain in Investigations collections.
- ♦ **Replacement of Existing Cashiering Computer System.** Final installation of a new ItemAge cashiering system began in June 1999. The new system provides major benefits for the Department in imaging capability, consolidation of payment data to facilitate research, and an increased capacity for payments, including Water Department payments.
- ♦ **Passport Processing Popular.** In November 1999, the Treasurer opened a U.S. Passport Application Acceptance facility in the City Payment Center for the further convenience of customers. Department staff continues to receive high marks for service in accepting applications and providing information. By the end of the fiscal year, this location had become the largest Passport Acceptance Agent in the Bay Area, processing over 7,500 applications and collecting more than \$110,000 in revenue for the City.
- ♦ **Property Tax Delinquencies Decline.** The delinquency rate of Unsecured Property Tax dropped to a record low of 2.11%. Additionally, the Secured Property Tax delinquency rate for FY 1999-00 was 1.42%, a historically low rate.
- ♦ **City Payment Center Expands.** Following the addition of Water Department bill payments to the City Payment Center in the last fiscal year, the Office of the Treasurer & Tax Collector took on the processing of nearly 900,000 Water Dept. bills received through the mail beginning in July 1999. Additionally, sales of public transit items (such as Muni passes) rose greatly, and public swimming pool tickets were made available for sale.

San Francisco



TREASURER
& Tax Collector

SECTIONS

CITY PAYMENT CENTER



In January 1999, Treasurer Susan Leal unveiled San Francisco's City Payment Center within the historic and newly restored San Francisco City Hall. The City Payment Center provides a consolidated payment and information facility. It allows taxpayers to conduct a wide array of City transactions in one place and receive customer-friendly guidance and direction regarding all City transactions, tax ordinances and outstanding City obligations.

The City Payment Center was created to:

1. Collect and process all City payments received from taxpayers by the Treasurer & Tax Collector's Office;
2. Provide substantive information and assistance effectively and expeditiously to taxpayers, other members of the public, and City departments;
3. Promote and perpetuate good customer relations as a service-oriented unit.

The City Payment Center consists of four major sections: the Information Counter, Taxpayer Assistance, Passport Services, and Cashiering. Customers are first greeted and helped at the Information Counter by staff members who provide initial information and assistance. At the



MISSION:

To provide tax information effectively and expeditiously to taxpayers and other member of the public and city departments; to promote and perpetuate outstanding customer service; and act as the prime public contact unit for the Office of the Treasurer & Tax Collector.

Taxpayer Assistance section, customers consult with expert analysts for detailed assistance and advice on local business and property tax, licensing, and fee issues. A

Passport Application desk was recently opened to increase the services offered by the City Payment Center. The Cashiering section operates up to twelve cashier windows to receive payments covering a broad array of transactions. Information regarding the Cashiering Unit is listed separately in this report.

Additionally, the Treasurer installed an Automatic Teller Machine for public use in the City Payment Center in October 1999. The "talking" ATM, operated by the San Francisco Federal Credit Union, is accessible to the blind and partially sighted and does *not* impose surcharges on customers.

TAXPAYER ASSISTANCE

The Taxpayer Assistance (TPA) section, located in the City Payment Center, provides efficient and courteous help to San Francisco taxpayers through a phone bank and one-on-one interaction. Its staff is uniquely cross-trained in all the City's tax procedures. This section represents the Department's philosophy that customers' needs are a priority and that the public should receive quality service and accurate information.

In Fiscal Year 1999-00, TPA developed closer communication with our Bureau of Delinquent Revenue and Business Tax Section, in order to more efficiently and comprehensively respond to customer needs.

During FY 1999-00, nearly 20,500 taxpayers directly interacted with TPA staff regarding their business accounts, including opening 10,629 new businesses registrations. Additionally, the phone bank received more than 32,400 calls regarding business tax issues.



Inquiries to the phone bank regarding property tax issues increased 15% from the previous fiscal year, to nearly 38,000 telephone calls including 24,205 calls in October and November following the mailing of annual tax bills.

PASSPORT SERVICES

In November 1999, the Treasurer opened a U.S. Passport Application Acceptance facility in the City Payment Center. Department staff processes applications, completes the daily mailing of passport applications, and serves as an information resource for the public regarding passports. The excellent service provided by the facility has made it much more popular than expected; this location quickly became the largest Passport Acceptance Agent in the Bay Area. The Department had processed 7,875 passport applications by the end of the fiscal year, collecting a total of \$118,135 in revenue.

INFORMATION COUNTER

The Information Counter is staffed by a team of six staff members who are trained in San Francisco's property and business taxes, licenses, and fees. These assistants greet taxpayers as they enter the Treasurer & Tax Collector's Office, assess their needs, and assist or refer customers appropriately, ensuring that their questions and concerns are fully addressed. Special Assistants also act as liaisons on behalf of taxpayers with other City & County departments and as resources beyond City Hall, in order to resolve complex situations.

Additionally, these representatives conduct outreach to community organizations, neighborhood associations, and business groups. Through these efforts, they educate the public about local requirements and promote awareness about City resources available to them.

ACCOUNTING SECTION

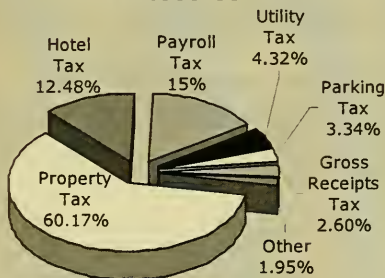


THE ACCOUNTING SECTION provides accounting and support services to the Department. It batches and performs daily and monthly reconciliation of cash and bank accounts. Following reconciliation, it records, reviews, and approves cash transactions on the Financial Accounting Management Information System (FAMIS). The unit also closely monitors collections, deposits, investments, and other related financial activities that involve cash and securities. Its responsibilities include input to budget preparation, expenditure tracking, appropriation payment requests, purchasing, and statistical reports for the Treasury Division. Additionally, this unit handles reconciliation of business tax credits and safekeeping functions for the City and County.

The two primary goals of the Accounting Section are: to provide adequate internal control systems to safeguard the City's assets, and to assist the Treasurer in improving the Department's efficiency and productivity.

The Accounting team is grouped according to function: Real Property (Secured and Unsecured), Supplemental (Secured and Unsecured), Redemption, and Business Taxes.

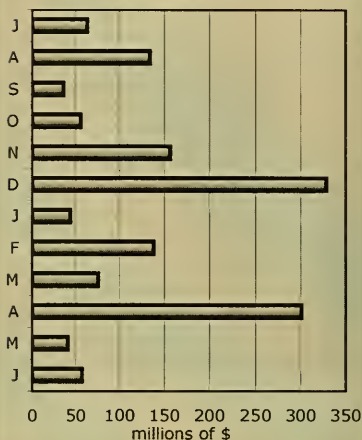
**TOTAL RECONCILED COLLECTIONS
FY 1999-00**



MISSION:

To increase accounting efficiency in the Office of the Treasurer & Tax Collector in order to serve the public more effectively and to reconcile the posting to individual taxpayers' accounts in an accurate and timely fashion. This covers real estate taxes, business taxes, other taxes, licenses, and other account receivables under the jurisdiction of the Treasurer.

ACCOUNTING SECTION MONTHLY RECONCILIATIONS FY 1999-00



HIGHLIGHTS OF FY 1999-00

- Staff members responsible for the reconciliation of Cashier Section Business Tax collections in the Business Tax System were incorporated into the Accounting Section. Cross-training of staff in various procedures, including Business Tax and Unsecured Supplemental payments, has increased the unit's effectiveness.
- In December 1999, the unit began to complete Business Tax refunds via the citywide FAMIS database as a more efficient way of processing.

TOTAL RECONCILED COLLECTIONS

Collection Type	1999-00	1998-99
Property Tax	\$ 861,615,891	\$ 805,958,538
Payroll Tax	216,876,286	76,025,366
Gross Receipts Tax	37,198,069	11,913,565
Business Reg./License	10,171,036	9,003,614
Hotel Tax	148,707,653	85,612,745
Utility Users Tax	61,812,359	27,699,100
Parking Tax	47,803,120	19,778,603
Emergency Response Fees	14,630,873	n/a
Stadium Tax	3,148,422	1,441,642
Roofers' Fees	11,970	6,450
TOTAL	\$ 1,401,975,679	\$ 1,037,439,623

Performance Measures for 1999-00:

1. Reconcile Business and Payroll Expense payment batches within 10 days after the obligations have been posted.
2. Identify all errors in the batches within 5 working days during the peak season.
3. Post all payments and adjustments to the computer system within 5 working days of receiving payment.
4. Log all batches of payment statements from the Tax Collector Cashier Section within one working day.
5. Prepare monthly collections report within 45 days after the month-end for December 10 and April 10 property tax collections.
6. By June 30, 2000, allocate 99% of all Business Tax payments received in FY 1999-2000.

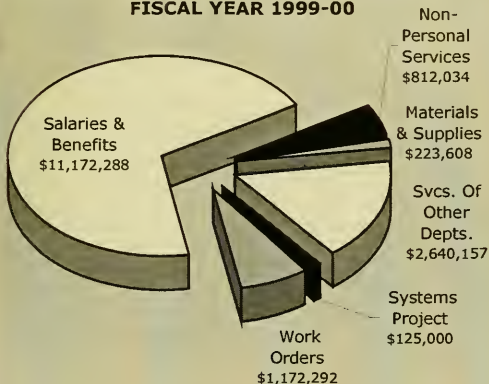
ADMINISTRATION SECTION



THE ADMINISTRATION SECTION provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector, including equipment, personnel, information services, and payroll. The staff of this unit is responsible for the purchasing and inventory of materials and the coordination of mailings of various tax statements. In addition, the Administration Section helps to develop the annual budget request by analyzing spending patterns and historical data and making recommendations to senior management. This is accomplished, in part, by careful tracking of expenditures on the citywide Financial Accounting Management Information System (FAMIS).

This unit also prepares numerous ad-hoc reports for the Mayor, Board of Supervisors, and interested citizens' groups. It maintains management information systems, telecommunications, and data processing activities; schedules and conducts training as required; and initiates facilities maintenance.

**FINAL BUDGET
OFFICE OF THE TREASURER & TAX COLLECTOR
FISCAL YEAR 1999-00**



TOTAL BUDGETED EXP. = \$16,145,379

MISSION:

To provide effective support services throughout the Office of the Treasurer & Tax Collector in order to enable the Department to be recognized as the most efficient, knowledgeable, and helpful revenue-producing organization in the State of California.

- **Payroll**

Administration Section staff prepares payroll biweekly, including reporting daily attendance data. In FY 1998-99, the Department moved to paperless time reporting, accomplished on-line with Payroll and Personnel Services Division.

- **Budget Management**

The Administration Section, with the managers of each internal section, develops the annual budget for the Office of the Treasurer & Tax Collector before it is submitted to the Mayor's Office. This process begins in November and must be completed by February each year. The master budget for the Department in FY 1999-00 totaled \$16.1 million.

- **Personnel Management**

The Administration Section conducts hiring campaigns and assists managers in addressing disciplinary matters in a fair and appropriate manner. Personnel staff prepare and process all paperwork for hiring and release from employment, monitor Workers' Compensation cases and monitor compliance with the Americans with Disabilities Act and all labor regulations.

The beginning of FY 1999-2000 found the Department with eighteen hiring campaigns to conduct. By the end of the year, the Department was close to fully staffed. Over the course of the year, the unit conducted approximately 22 major hiring campaigns, including nationwide recruitment for Deputy Tax Administrator. In addition, this unit accomplished a number of reclassification actions, including the reclassification of 21 4306 Collection Officers to 4308 Sr. Collection Officers.

- **Purchasing and Supply**

The Administration Section is committed to providing management and staff in a timely fashion with materials and supplies necessary to the performance of their duties. This

includes maintenance of the inventory of approximately 130 different forms and statements.

- **Departmental Accounting**

Unit staff serves as the main contact for Departmental connections to the FAMIS, ADPICS, and BPREP on-line systems, including providing training while transition to these systems proceeded. It is responsible for accounts payable and analyzing spending patterns as part of the budget preparation process.

- **Information Systems**

The Department depends upon the Management Information Services staff to assist them with any computer or telecommunications problems. This subunit works closely with the Department of Telecommunications and Information Services to ensure that the needs of the Department are met. This includes projects from troubleshooting computer errors to installing extensive new data systems.

The major undertaking of this subunit in FY 1999-00 was preparation for the Year 2000 bug (Y2K). The Department weathered the date change with no system problems or interruptions of service.

This unit will be spun off into a separate section of the Department in FY 1999-00.

Goals and Objectives

- Keep employees and managers timely informed of various aspects of their employment rights, privileges, and responsibilities
- Address staffing needs at 95% or better for the entire year.

BUREAU OF DELINQUENT REVENUE/INVESTIGATIONS

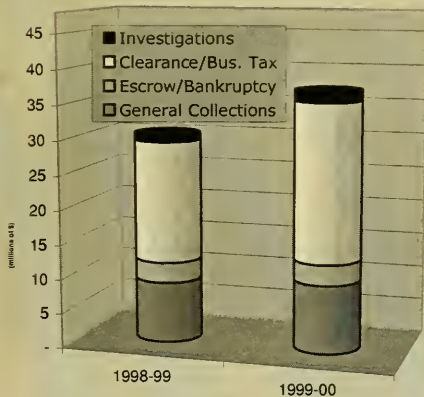


BUREAU OF DELINQUENT REVENUE (BDR) is the official collection arm of the City and County of San Francisco. It is authorized to collect all accounts receivable over \$300 and at least 90 days overdue for various City and County departments, including San Francisco General Hospital, Laguna Honda Hospital, Department of Public Works, City Attorney, Fire Department, Mayor's Office of Community Development, and the Water Department.

BDR uses automated collection software from Columbia Ultimate Business Systems (CUBS), to ensure that all assigned accounts are followed up on a timely basis and in accordance with approved and legal methods. Its objectives are to educate the public as to their responsibilities, to thereafter work with customers on their ability to repay the debt, and to maintain the goodwill of the client and the dignity of the customer.

Additionally, to remain updated on collection and system techniques, some BDR employees are members of the California Municipal Business Tax Association and the California Revenue Officers Association and attend annual industry conferences.

BDR COLLECTIONS



TOTAL 1998-99: \$30,407,962
TOTAL 1999-00: \$37,265,019

MISSION:

To serve the City and County of San Francisco with expertise in all collection matters; to recover debts accrued; to enforce the local ordinances and achieve compliance thereof. Additionally, to balance this commitment with providing efficient, effective and equitable service to the public and business communities so that they may meet their responsibilities.

BDR staff is divided into six units with discrete tasks:

GENERAL COLLECTIONS UNIT

This unit (formerly the Medical Unit) processes delinquent accounts referred to BDR from various departments under Section 10.38 of the San Francisco Administrative Code. A majority of the accounts are referred from the hospitals.

The total amount collected for the year is \$9,927,876, which is an increase of 12.33% compared to fiscal year 1998-99 with \$8,837,910 in collections. This increase is largely due to the results of the initial restructuring, the outside collection agency collecting on old debts, and new collectors hired.

Additionally, BDR implemented an action plan to remove older, non-collectible accounts from the file. Consequently, the section abandoned 30,494 accounts totaling \$36,970,940, which

GENERAL COLLECTIONS UNIT FY 1999-00

SFGH	\$ 9,217,576
Ambulance	168,876
Via Collection Agency	160,398
Laguna Honda	221,321
Other	159,674
TOTAL	\$ 9,927,845

decreased our accounts receivable file considerably.

ESCROW/BANKRUPTCY UNIT

The Escrow and Bankruptcy unit conducts thorough research, compiles data, and files timely claims on outstanding debts owed to the City when an escrow or bankruptcy is filed by a taxpayer.

ESCROW/BANKRUPTCY UNIT FY 1999-00

Unsec. Prop	\$ 624,619
Supp. Prop.	6,656
Sec. Prop.	1,096,897
Receipts/Payroll	719,331
Hotel Tax	354,698
Parking Tax	0
Utility Users Tax	1,768
Bus. Reg. Fee	96,544
License	49,335
Misc.	25,473
TOTAL	\$ 2,975,322

Notices that are published or sent directly to this office start the research process. Around the world (system) research is conducted by this unit and work performed is time-driven.

CLEARANCE/BUSINESS TAX UNIT

The Clearance staff works with business owners, the Business Tax Division, and the Property Tax Division to collect all delinquent business-related taxes, including unsecured personal property taxes, or to resolve the situation in a manner fair to the interests of the customer and the City.

Collections by the Clearance Unit were \$22,806,372 in FY 1999-00, a 29.6% increase over the previous year.

CLEARANCE/BUSINESS TAX UNIT FY 1999-00

Unsec. Prop.	6,961,358
Receipts/Payroll	\$13,084,935
Bus. Reg.	868,997
Hotel Tax	939,391
Parking Tax	951,693
TOTAL	\$22,806,372

INVESTIGATIONS UNIT

The Investigations Unit insures that taxpayers comply with City and State tax provisions, and operates in support of all sections in the Tax Collection Division. Investigations is responsible for a wide range of enforcement activities, such as surveys, surveillance, Small Claims filing, post-judgment execution, seizures, summary judgments, FTB Offsets, complicated accounts, citations, business tax and Unsecured Personal Property (UPP) liens, and judgment renewals.

This unit posted a 53% increase in revenue generated over the fiscal year, from \$1,016,363 to \$1,555,450.

The Investigations Unit staff used several different methods of activity:

- *Surveys*

There are 3 investigators assigned to research, inspect and interview businesses in a systematic approach targeting the potentially high revenue businesses in the city. Unregistered businesses are currently referred to the Clearance Unit. During the fiscal year, approximately 6,196 businesses were surveyed in the Financial District, Richmond and South of Market areas.

- *Small Claims and Postjudgments*

This fiscal year, BDR obtained 172 judgments, compared to 35 in FY 1998-99. Furthermore, wage garnishments activity has been successful, with 131 filings in this period generating \$123,236.11. Satisfactions and partial payments were also realized in the total amount of \$104,905.68. Therefore, this sub-unit generated an aggregate amount of \$228,141.79 during this fiscal year.

- *Franchise Tax Board Offset Program*

In December 1999, the unit submitted 516 accounts to the State, representing \$6,121,981. Fiscal year 1999-2000

collections were \$41,839, compared to last fiscal year collections of \$16,073.

- *Marine Seizures*

The investigator posted seizure notices on 26 vessels and generated a total collection of \$5,783.35, compared to 12 seizure notices last year generating \$6,073.19.

- *Liens*

This category includes manual filings of liens and lien releases of UPP and Business Tax accounts. Automated filing of UPP liens totaled approximately 1,948, a slight decrease compared to 2,049 filed last fiscal year. Business tax lien filings increased from 37 to 216 this period, which generated revenue of \$36,073.47 in delinquent businesses taxes. These liens were filed after Clearance agents had made attempts to collect voluntary payments.

- *Summary Judgments*

Notice of Intent letters sent to delinquent taxpayers continue to be effective in generating payment prior to actual filing of summary judgments. A total of 72 notices were issued in FY 1999-00. These notices generated revenue of \$35,983.04 this fiscal year, compared to \$19,720.08 last fiscal year.

- *Abandonment/Closed accounts*

Accounts for which judgments have exceeded the statute of limitations or bankruptcies have been filed must be reviewed prior to abandonment. A project to clear the judgment inventory is still ongoing, which should further reduce accounts receivable.

- *Citations*

Citation training was provided to Investigations staff by the Police Academy in the early part of the fiscal year. Topics included Completing the Citation Form; Conflict Management; Getting the Signature; and Defense Tactics and Safety Considerations.

THIRD-PARTY TAX UNIT

This unit was recently formed to investigate and enforce compliance on third-party taxes, such as parking, hotel, stadium, utility, and roofers' fees. A Principal Investigator was assigned to manage the project. During this fiscal year, the investigator has updated the tracking report, surveyed parking lots, compiled data, and developed a program to tackle non-registration and underreporting issues with respect to operators who hold taxes in trust for the City. Relationships were established with various governmental agencies, including CalTrans, Dept. of Building Inspection, the Port of San Francisco, Dept. of Real Estate, Dept. of Parking & Traffic, and Office of the Assessor-Recorder to facilitate the exchange of information.

CLERICAL UNIT

This subunit is responsible for providing all clerical work for the various units of BDR and provides initial screening of customers in the office to determine which section or employee is most appropriate to resolve issues. Counter coverage is provided on a rotational basis from Clerical staff. BDR has set a goal that each clerk will be cross-trained to handle and/or assist with any unit that is in need of their services. During this fiscal period, this unit screened approximately 14,757 contacts over the counter.

HIGHLIGHTS OF 1999-2000

- Collections during the FY increased over 22.5%, to \$37,265,019.
- The delinquency rate of Unsecured Personal Property Tax significantly reduced from 2.94% to 2.11%.
- All systems were tested and updated in preparation for the Year 2000 conversion. No problems were reported.
- Each collector received two performance evaluations.
- Agreement with Water Department to collect delinquent payments was finalized.
- Negotiations continued with Mayor's Office of Community Development and Municipal Courts for provision of service.



BUSINESS TAX SECTION

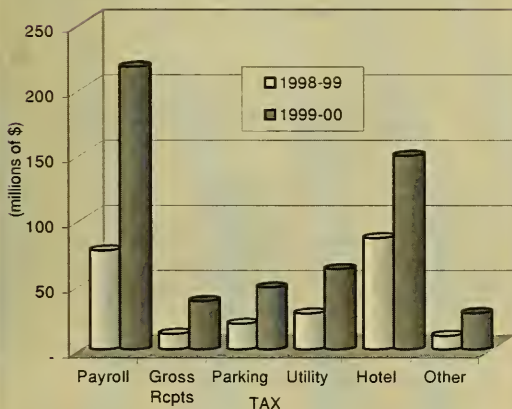


THE BUSINESS TAX SECTION implements and enforces all Business Tax Registration and Gross Receipts and Payroll Taxes for the City and County of San Francisco, as well as Roofers Vehicle Tag fees, Parking Tax, Hotel Tax, Utility Users Tax, Emergency Response fees, and Stadium Taxes. The Section is comprised of two functional units—the *Audit Unit* and the *Account Services Unit*. During FY 1999-00, the Problem Resolution Unit was organized directly under the Business Tax Director to work rapidly on high-priority referrals and issues.

AUDIT UNIT

The Audit Unit periodically performs scheduled and unscheduled audits to promote voluntary taxpayer compliance with the City's Business Tax Ordinance and detect any underreporting by registered businesses.

BUSINESS TAX COLLECTIONS



(see Accounting Section *Total Reconciled Collections*, p. 9)

MISSION:

To implement and enforce the Business Tax Ordinances; to administer these municipal tax provisions to ensure taxpayer compliance through accurate and responsive account maintenance systems and a post-audit program that monitors voluntary compliance; and to promote revenue maximization.

AUDIT SECTION ACTIVITY

Type of Audits	1999-00	1998-99
Business/Payroll Tax	851	655
Parking Tax	20	19
Hotel Tax	35	54
Total	906	728

The total number of audits completed increased from 728 in FY 1998-99 to 906 in FY 1999-00, and total audit deficiency billings for FY 1999-00 increased by 27% to \$4,639,126. Additionally, Hotel Tax audit billings increased by 464% and Parking Tax audit billings grew by 268%.

Additionally, during July 1999, two auditors performed eleven out-of-state audits in Washington, D.C.; Virginia; and Southern California. This group of audits generated \$439,036 in audit deficiency billings.

Business Tax Board of Review

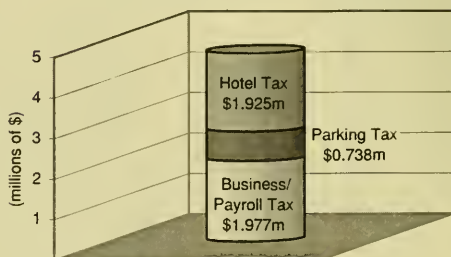
During Fiscal Year 1999-00, the Business Tax Board of Review, overseen by the City Administrator's Office, heard a relatively large number of cases. The Board reviewed 107 appeals during this period and approved a revised Telephone Users Tax regulation. In none of these cases did the Board overturn a decision of the Tax Administrator.

ACCOUNT SERVICES UNIT

The Account Services Unit maintains taxpayer accounts in the Business Tax System (BTS) and reviews and processes annual, semi-annual, and quarterly tax filings, business registration renewals, prepayments, and refund requests. The unit also troubleshoots all systems-related problems or issues, reviews service requests, recommends action for enhancement, and responds to requests for statistical information.

The Account Services Unit mailed, processed, and administered the following tax statements and notices during FY 1999-00:

- **Annual Business Tax Registration Renewal:** In September 1999, 76,531 taxpayers were sent Annual Business Tax Registration Renewal forms. For the first time, the Office of the Treasurer & Tax Collector offered customers the ability to renew their registrations on the Internet via the new CityBusiness website (later renamed CityServices).
- **Business Receipts and Payroll Tax Annual Statement:** In January 2000, 74,432 Business Receipts and Payroll Tax Annual Statement packets were mailed to taxpayers. Additionally, in anticipation of the mailing of Second Notices in June 2000, 3,000 closed accounts were inactivated in BTS following research and analysis.
- **Reminder Notice:** 61,800 courtesy reminder notices were mailed to taxpayers in mid-February 2000 to encourage the timely filing of the 1999 Annual Business Receipts & Payroll Tax Statement
- **Business Receipts & Payroll Tax Second Notice:** A total of about 18,000 taxpayers were sent a Second Notice letter in June 1999 informing them that their 1999 Annual Business Receipts & Payroll Statements were delinquent and subject to penalties and interest.

AUDIT DEFICIENCY BILLINGS

Total Audit Deficiency Billings = \$4,639,000

- **Business Receipts & Payroll Tax Determination:** 14,405 taxpayers failed to respond to the Second Notice in this fiscal year. Determination Notices were sent to these taxpayers advising them to file immediately in order to avoid the assessment of escalating penalties and collection activity. Approximately 958 taxpayers paid their calculated determination notices and 1,996 taxpayers filed for a redetermination. Additionally, 1,541 represented returned mail, leaving 9,910 delinquent accounts that were forwarded to the Bureau of Delinquent Revenue for collections.
- **Quarterly and Semi-Annual Business Receipts & Payroll Tax Prepayment:** To facilitate and accelerate collection of the total amount of tax liability due for a given year, taxpayers with expected tax obligations exceeding \$2,500 in tax liability are mailed either quarterly or semi-annual prepayment statements. A total of 8,250 prepayments were mailed during year 2000.
- **Quarterly and Monthly Hotel Tax and Parking Tax Prepayment:** In addition to managing of the Business Tax and Payroll Tax filings, the Account Services Unit also oversees the Hotel Tax, collected from approximately 800 hotels, and the Parking Tax, collected from approximately 350 parking operators. 3,365 monthly hotel prepayments and 2,764 quarterly hotel tax statements were filed in FY 1999-2000, and 2,232 monthly parking tax prepayments and 1,088 quarterly parking tax statements were filed in FY 1999-00.
- **Utility Users Tax Monthly Tax Statement:** During FY 1999-00, 2,176 Utility Tax Statements were filed, compared to 1,834 for FY 1998-99.

HIGHLIGHTS OF FY 1999-00

1. The Business Tax Section was restructured, and a Business Tax Director was hired to supervise and manage the Section.
2. Account Services Unit (previously the Business Tax Services Unit) was reorganized to improve the efficiency of operations and processes.
3. The total number of audits completed increased 25% from the previous fiscal year.
4. The CityBusiness website launched in October 1999. For the first time, business owners in San Francisco were provided the option to renew and pay the Annual Business Tax Registration and file the Annual Business Receipts & Payroll Statement through the City's website .
5. The Business Tax Section participated in Y2K preparedness projects, evaluating and updating all systems.
6. The inventory of refund requests was reduced by 89% through the redeployment of staff to assist with the review process and formalization of refund procedures. Additionally, the standard timeframe for processing refund requests was reduced from 6 to 2 months.

TAX CREDIT FILINGS

Type of Tax Credit	No. of Firms Filing					Amount Claimed
	1995	1996	1997	1998	1999	1999
Enterprise Zone	3	11	8	12	12	\$ 12,657
New Jobs	56	148	217	287	364	10,648,354
Summer Youth	n/a	3	0	5	3	322
Garment Mfrs.	n/a	n/a	62	75	86	604,146
TOTAL	59	162	287	379	465	\$ 11,265,479

- **Request for Waiver of Penalties:** For the 1999 tax year, the Account Services Unit received 271 requests for waiver for late filing of the Business Receipts & Payroll Tax Statement, of which 210 were approved and 61 were denied.
- **Reinstatement of Small Business Exemption:** During the 1999 tax year, the unit received 178 requests for the Reinstatement of Small Business Exemption, of which 152 were approved and 26 denied.
- **Requests for Taxpayer Refunds:** In FY 1999-00, Account Services received 1,566 refund requests for various payments. Of this amount, 1,115 were approved, 22 were denied, and 451 were related to a court case still pending. This reflects an increase of 16% in refund claims.

OTHER PROJECTS

♦ Business Tax System Replacement Project

Beginning in September 1998, a consultant retained by the Dept. of Telecommunications & Information Services researched Business Tax functionality requirements, surveyed other cities' business tax systems, and examined two potential replacement systems in-depth. Business Tax Section staff then tested, reviewed, and evaluated a sample program to provide feedback to the consultant. In November 1999, the consultant completed his analysis and presented his recommendations for the replacement Business Tax System. Senior staff reviewed

the analysis and decided to issue a Request for Proposals. A final decision for the replacement system will be rendered in the next fiscal year.

♦ Staff Development Training Classes

Business Tax staff participated in Presentation Skills, Performance Management & Appraisal, and Managing Problems Performance classes presented by Department of Human Resources (DHR). Principal Auditors also attended fraud training classes.

♦ Special Presentations

Business Tax Section staff and the Tax Administrator presented an overview of San Francisco's business taxes and the collection and enforcement of taxes to Chinese delegations in September 1999 and May 2000.

♦ Training Workshops

Business Tax staff presented several business tax and tax credit workshops to the Treasurer & Tax Collector staff during the course of FY 1999-00.

♦ Annual Tax Credit Report

Each year during the month of May, the Tax Collector's Office submits an Annual Tax Credit Report to the Board of Supervisors. In tax year 1999, 465 businesses claimed a total of \$11,265,479 in tax credits for tax year 1999, an increase of 23%.

CASHIERING SECTION



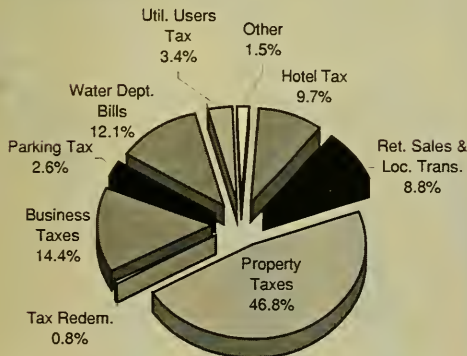
The Cashiering Section receives and processes much of the City's money intake, including all tax revenue, and oversees the deposits of most city departments.

To eliminate redundancy and increase flexibility, the Treasury Cashiering and Tax Collector Cashiering units were restructured and merged under the Chief Assistant Treasurer in FY 1998-99. This helped the Department expand the Remittance Processing Center to handle an increased number of transactions this year without increasing personnel.

REMITTANCE & MAIL OPERATIONS

The Remittance & Mail Operations Unit accepts and processes all types of tax payments, registration and license fees, including payments received through the mail, presented in person, paid by credit card or wire, and through the

CASHIERING COLLECTIONS FY 1999-00



TOTAL COLLECTIONS = \$1,832,100
(see chart p. 21)

MISSION:

Remittance & Mail Unit: *To collect and process all City payments received from taxpayers in an efficient and expedient manner, and to provide substantive information and assistance to taxpayers and other members of the public.*

Banking Operations Unit: *To receive, account, process and deposit all payments for taxes, licenses, and other revenues in an efficient and expedient manner; to render high quality services to departments, residents, businesses, and visitors.*

Internet. In addition, many public transportation products are sold at the City Payment Center by Cashier staff.

Remittance & Mail Operations is comprised of four areas, which work together to process and post all tax payments:

- *City Payment Center Cashiers* accept payments from taxpayers, sell transit items, receive department deposits, and process mail payments.
- *Mailroom* staff sorts, opens and verifies all mail for the Office of the Treasurer & Tax Collector, Water Department, and Port of San Francisco and distributes it to designated units.
- *Remittance Processing* processes water bills and other tax payments using high-speed NCR Remittance machines, including researching water payments received without account numbers or payment stubs.
- *Check Control and Research* researches and processes unidentified tax payments in order to produce payment stubs for Delinquent Revenue payments and other tax bills.

Fiscal Year 1999-00 was a time of major innovation for the Remittance & Mail Processing Unit. The section successfully integrated the processing of Water Department payments. This effort represented the unit's first contract to provide efficient cashiering services to an outside city department for a fee. The year also brought a dramatic increase in the sales of public transit products. Sales grew from 907 items when the program began in January 1999 to sales in excess of 3,000 items by June 30, 2000. The addition of U.S. passport application processing to the City Payment Center also added to the number of transactions. Through extensive cross-training and the expansion of each individual employee's skills, Remittance & Mail Operations was able to integrate this increased activity into the regular workload

with the addition of only one new staff position.

Overall, total collections by this unit increased from \$1.468 billion in FY 1998-99 to \$1.832 billion in FY 1999-00. This represented a growth of \$363.9 million, or 24.8%, a sizeable portion of which resulted from the addition of Water Dept. bill collection.

Credit card payments of property taxes, both by phone and in person, grew from \$3.5 million for FY 1998-99 to \$5.3 million for the current year. The number of transactions also increased from 1,765 to 2,516. In addition, Electronic Fund Transfer (EFT) transactions showed an increase from \$143.0 million last year to \$178.9 million in fiscal year 1999-00.

The Mailroom sorted, opened, and distributed a total of 1,305,580 pieces of mail to all the different divisions of the Treasurer & Tax Collector's Office during the year. Approximately 63% of the mail was related to Water Dept. payments. This division received an average of 2,500 to 3,500

REMITTANCE & MAIL COLLECTION TOTALS (in millions of \$)

Revenue Type	1999-00	1998-99
Bus. Tax Registration	10.1	10.3
Gross Receipts Tax	37.2	29.8
Payroll Tax	216.6	182.4
Sec. Property Tax	735.6	696.3
R.E. Supplemental	41.3	25.9
Unsec. Property Tax	78.8	72.3
U.P.P. Supplemental	2.2	1.1
Tax Redemption	14.7	17.1
Hotel Tax	177.6	160.4
Parking Tax	46.9	42.8
Utility Tax	61.8	53.9
Water Bills	221.2	0.4
Passport	0.1	n/a
Retail Sales & Local Transit	160.4	150.1
License	5.5	5.4
Emergency	13.7	11.4
Other	8.4	8.5
TOTAL	1,832.1	1,468.1

pieces of mail each day, with more than 16,000 items of mail arriving per day near certain tax collection deadlines.

Check Control and Research staff processed 92,685 payments during the year, compared to 83,679 in 1998/99. The number of items placed into Check Control decreased significantly, from 8,833 to 4,432. The main factor in this variation was improved communication with other departments; many unidentified items were able to be resolved immediately and were credited to the appropriate accounts without first going to Check Control. This has decreased the time spent handling each check, so that the Department was able to receive proper credit without delay.

Accomplishments in FY 1999-00

- The processing of all Water Dept. bills for the city was transferred to the Cashier Section in July 1999. A total of 883,226 Water Dept. payments were processed in FY 1999-00 resulting in collection of \$221,164,529.
- The installation of the ItemAge computer system during the last quarter of 1999 provided increased efficiency and convenience for taxpayers. For example, the new system enables the cashiers to process Secured Property Tax payments without a bill stub. The ItemAge system also includes an imaging function, so that images of all bills and checks processed are stored for later access.
- The Cashier Section successfully put in place a procedure for the distribution of Commuter Checks to employees. This program was initiated in August 1999, and involved the distribution of more than 1,000 Commuter Checks during the year.
- Swimming pool tickets for public pools administered by the Recreation & Park Department were made available for sale at the City Payment Center in August 1999.



BANKING OPERATIONS, PASSPORT, & FAMIS ACCOUNTING SERVICES

The primary objective of the Banking Operations, Passport, & FAMIS Services Unit of the Cashiering Section is to reconcile and account for the receipt of collections, departmental deposits, and disbursements by the close of the same business day. These functions are completed in compliance with audit standards, with internal controls being achieved in conjunction with the Department's Accounting Section.

Detailed responsibilities of the Banking Operations Unit include:

- Processing and accounting of all City and County monies and checks, through direct bank deposits, mail center, electronic fund transfers, federal reserve wires, lockbox operations, credit cards, bank adjustments and direct transactions in FAMIS.
- Payment of all Controller warrants through the Department's Clearinghouse Bank.
- Reconciliation of the above receipts and disbursements, on a daily basis.
- Reconciliation on a daily and monthly basis of the Treasurer's checking accounts.
- Daily input to and detailed reconciliation of FAMIS reports.
- Processing of U.S. Passport applications through the Passport Services desk, located in the City Payment Center. Banking Operations staff witnesses the signing of applications and forwards them to the main Passport Agency receiving facility. The unit also answers customer questions regarding passport applications.

Tax collection receipts and other City department receipts are electronically received for processing through the NCR remittance processing system for direct bank remittance. These procedures provide early deposit of receipts plus reduced bank charges.

All checks received through the Treasurer's receiving window are encoded and microfilmed before they are deposited in the City's bank accounts. A division of duties among the Department's receiving cashiers, vault cashiers,

paying cashiers, reconciliation cashiers, clerks, and accountants ensures internal controls.

In addition, the Banking Operations Unit oversees credit card payments to the City for property taxes; traffic fines; towing and storage fees from the Department of Parking & Traffic; misdemeanor bails; library fees; and Bureau of Vital Statistics fees, including fees for birth and death registration.

CASHIERING SECTION

BANKING OPERATIONS, PASSPORT, & FAMIS ACCOUNTING SERVICES UNIT

TRANSACTION STATISTICS FY 1999-00

Description	Amount
Revenue	
Total Taxes Collected	\$ 1,844,098,448
Departmental Deposits	2,093,451,559
Wires/Electronic Fund Transfers (EFT)	3,823,159,729
Total Citywide Receipts	\$ 7,760,709,736
Disbursements	
Citywide Disbursements	4,253,451,997
Disbursement Wire outs	3,401,205,821
Total Citywide Disbursements	\$ 7,654,657,818
Port Lockbox	\$ 20,264,803
Stop Payments	\$ 5,928,446
Credit Card Wires	\$ 5,570,487
Non-Sufficient Funds (NSF)	\$ 7,507,254
Passport Applications Processed	7,875
Passport Processing Fee	\$ 118,135
Number of Checks Deposited	3,105,170
Number of NSF Checks Returned	5,998
Number of NSF Checks Recleared	9,326
Cash & Equity Balance (as of 6/30/00)	\$ 2,824,343,912
Total Safekeeping Item Amt. (6/30/00)	\$ 5,908,853

HIGHLIGHTS OF FY 1999-00

- The transfer of U.S. Passport application acceptance services to the Office of the Treasurer & Tax Collector has brought this convenient service to many more San Francisco residents. The Passport Services desk has become the largest application-acceptance agent in the Bay Area, bringing significant revenue to the Department and enhancing the effectiveness of the City Payment Center.
- Restructuring of the Banking Operations unit has helped it to run more cohesively. This has resulted in a strengthening of the unit and of internal controls.

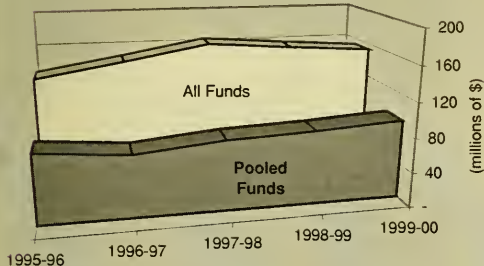
INVESTMENT DIVISION



The chief purpose of the **INVESTMENT DIVISION** is to administer and control the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. The staff's goal is to maximize interest income while preserving the liquidity and safety of the principal. The Investment Division has consistently demonstrated prudent portfolio management with excellent results. In Fiscal Year 1999-00, the Treasurer executed \$3.74 billion in investment transactions.

Direct wire lines maintained by major investment houses enable the Chief Investment Officer to make investments on behalf of the City through rapid, competitive online bidding. The Treasury does not own any stocks or bonds. Instead, the City's accounts (excepting pension funds) are invested in commercial paper, bank notes, banker acceptances, Federal agencies, and U.S. Treasury notes.

PORTFOLIO PERFORMANCE: TOTAL NET EARNINGS



Cash Managers

The Cash Managers assist the Chief Investment Officer in administering the cash management and investment policies. The Cash Managers' primary responsibilities include:

- Initiating, analyzing, and modifying cash-flow procedures and systems.
- Advising and making recommendations regarding cash management procedures and policies, bank relationships, bond interest and redemption wires, and the bond arbitrage rebate program.

Yield Comparisons FY 1999-00

S.F. Cty. (Pooled)	5.837%
S.F. Cty (all funds)	5.763%
Avg. 90-day U.S. T-Bills	5.37%
San Diego Cty. (Pooled)	5.54%
Los Angeles Cty. (Pooled)	5.60%
State Local Agency Fund (Pooled)	5.68%

G.O. BONDS ISSUED IN FY 1999-00

Par Value

Asian Art Museum Relocation Project - Series 1999D	\$16,730,000
Educational Facilities Bonds, 1997 - Community College District Series 2000A	\$29,605,000
Zoo Facilities Bonds, 1997 - Series 2000B	\$17,440,000
Neighborhood Recreation & Park Facilities Improvement - Series 2000C	\$6,180,000

- Ensuring compliance with regulations requiring that all revenues received by City departments are deposited and receipted in a timely manner.
- Managing the bond and coupon redemption program.
- Preparing and issuing Requests for Proposal (RFPs) for various financial services as required by individual departments.
- Co-administering the bond arbitrage rebate program with the Controller.

The Investment Division also monitors and invests all City funds that flow through the remittance processing system by electronic access. All funds are transferred by Fed-wire to the City's primary bank accounts for disbursement by the Controller or investment by the Treasurer. Additionally, in FY 1999-00, the Investment Division implemented 661 outgoing Federal wire transactions valued in excess of \$1.5 billion.

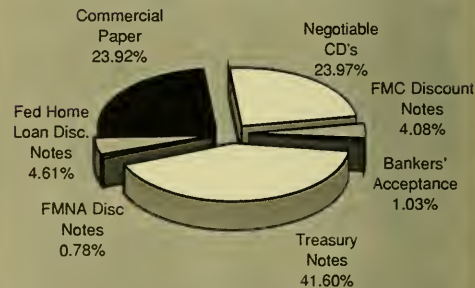
Bond and Coupon Redemption

The Treasurer, through the Investment Division, is responsible for the payment of the City's general obligation bonds, principal and interest. During FY 1999-00, the Treasurer paid \$2.36 million in interest and \$327,540 in principal on bearer bonds; and \$146.54 million in interest and \$67.46 million in principal on book entry bonds.

In FY 1999-00, \$53,225,000 in general obligation bonds were issued. No bonds came to full maturity during this period.

The Investment Division is also responsible for the calculation of arbitrage rebate liability for bond revenue proceeds. Currently, calculations are performed on approximately 40 bond issues. Once the calculations have been performed, the calculation workpapers are forwarded to the Controller's Office for review and verification of any liability due and payment of any liability on the fifth year anniversary date.

INVESTMENTS OUTSTANDING AS OF JUNE 30, 2000



TOTAL PAR VALUE = \$2,749,646,000
TOTAL BOOK VALUE = 2,716,927,781

- Avg. age of portfolio = 328 days
- Interest Received = \$157,784,631
FY 1999-00
- Total Net Earnings = \$153,210,278
FY 1999-00
- Securities on Hand = \$2,799,879,892
- Market Value = \$2,793,141,428
- plus fixed assets = \$14,565,786
accrued earnings

LEGAL SECTION



LEGAL SECTION's primary mandate is to pursue collection litigation on delinquent accounts under the Treasurer & Tax Collector's jurisdiction when all other collection efforts have failed. Legal Section also responds to legal challenges to Treasurer & Tax Collector claims in bankruptcy, judicial foreclosure, and hospital lien cases. Moreover, Legal Section serves as the legal advisor to the Tax Collector and his section supervisors on collection-related issues.

Collection Activities

- 5 complaints and answers filed
- 5 abstracts and consensual liens recorded

Most delinquent accounts referred to the Legal Section are tax deficiency assessments from the Business Tax Section; the remainder originate from the Bureau of Delinquent Revenue (BDR). Although civil collection suits are the primary means of enforcing payment of delinquent accounts, the unit uses negotiations in conjunction with other civil creditor procedures when appropriate in support of voluntary payment agreements negotiated with the debtor. Legal Section also monitored all monthly payment accounts in its inventory and took specific action to bring defaulting debtors into compliance. The

LEGAL SECTION OVERALL ACTIVITY

TYPE OF ACTIVITY	1999-00	1998-99
Complaints & Answers Filed	5	5
Abstracts & Consensual Liens Recorded	5	5
TOTAL DOLLAR RECOVERY	\$2,355,684	\$1,956,588
Concluded Bankruptcy Cases (transferred to BDR)	14	23
BDR Hospital Liens	\$688,562	\$460,064

MISSION:

To provide litigation services in all cases under the Tax Collector's jurisdiction where court action is the only effective collection tool and to provide legal advice on collection-related issues to the Tax Collector and section supervisors.

section's priority was to identify those monthly payment cases where the debtor had defaulted and take action to promote compliance.

Litigation Activity

- 5 cases litigated to cash settlement or judgment
- 3 cases in pretrial litigation.

Legal Section focused its state court activity on litigating existing cases to a successful conclusion; and filing new complaints on priority cases. This strategy produced 3 cash collections, all before trial.

BDR/Hospital Cost Recovery Liens

- \$688,562 Collected

Legal Section's coordinated representation on this shared program has boosted reported collections to an all time high for annual collections during the preceding 4 years. The increasing collection levels over the past 4 annual periods is testament to the efficacy of this shared program.

Bankruptcy Litigation

- 9 cases referred
- 14 cases successfully completed with \$193,297 in creditor claims at risk
- 5 contested case status

In this program, also coordinated with BDR, Legal Section performs legal services in the bankruptcy courts on specific bankruptcy files referred by the BDR bankruptcy group, including responding to debtor objections to Tax Collector creditor claims, improper treatment of taxes in debtor payment plans, and lawsuits filed in bankruptcy court against the Tax Collector.

Post Judgment Collection Activity

- 7 Judgments Collected - \$892,959
- 4 new judgments added - \$909,824
- 35 judgments transferred to BDR - \$746,397

LEGAL SECTION TOTAL DOLLAR RECOVERY



(Recovery in some cases credited to BDR following litigation work by Legal Section.)

Legal Section staff individually reviewed each of the 80 cases in the judgment inventory and made an evaluation of legal validity and collection potential on each case. 35 case files were transferred to the Bureau of Delinquent Revenue with case-specific recommendations for future collection action. The unit also identified every monthly payment judgment where the debtor is in default and obtained the appropriate court order dissolving the stay of execution. Section inventory now stands at 41 cases with a total face value of \$8,925,689.

Non Litigation Collection Activity

- 5 cases collected - \$512,520
- 1 durable lien recorded - \$37,732

In addition to litigation activity in the courts, Legal Section has also initiated action to obtain payment of large (exceeding \$100,000) tax delinquencies by effective negotiation leading to tax liens and installment payment agreements.

Legal Advice

Legal Section attorneys conducted 3 legal seminars in FY 1999-00 on collection law issues relating to small claims court procedures and hospital cost recovery liens on the patient's lawsuit against a third party. In addition, both staff attorneys give oral telephone advice and brief written responses to legal inquiries from other Tax Collector Sections throughout the year.

PROPERTY TAX & LICENSE SECTION



THE PROPERTY TAX & LICENSE SECTION bills, collects, records, and reports payments of secured and unsecured property taxes and special assessments as well as business license fees and permits. The three major units of this section are Real Estate, Tax Redemption, and Business License.

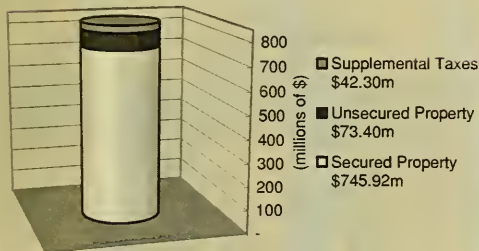
REAL ESTATE UNIT

The Real Estate Unit processes tax bills for secured and unsecured property taxes, including escape and supplemental tax bills, and provides resolution of issues involving property tax to the public in person, over the telephone, and by correspondence. It also establishes and records four-year installment payment plans for secured and unsecured escape assessments for all prior fiscal years. Additionally, this unit collects various special assessments placed on secured property tax bills, including more than 57,000 rent board fees, approximately 31,000 apartment house fees, and more than 800 hotel

PROPERTY TAX COLLECTIONS

FY 1999-00

(see chart p. 32)

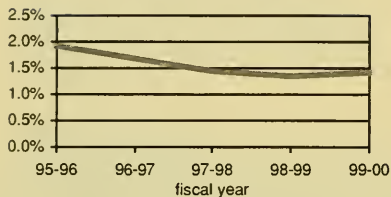


Total Property Tax Collections = \$862.61m

MISSION:

The Property Tax & License Section strives to serve the general public by providing them with timely and accurate property tax and business license information in a manner that is fair, legal, and courteous.

In fulfilling this mission, we will meet our responsibilities and preserve high levels of customer satisfaction.

**SECURED PROPERTY TAX
DELINQUENCY RATE**

license fees. The Real Estate unit is responsible for processing refund requests for overpayments and duplicate payments of property taxes and business license fees.

Secured Property Taxes

During Fiscal Year 1999-2000, more than 438,000 property tax and license fee payments totaling over \$867 million in tax revenues were processed. The collection of property taxes increased by over \$55.6 million or more than 7 percent as compared to the previous fiscal year.

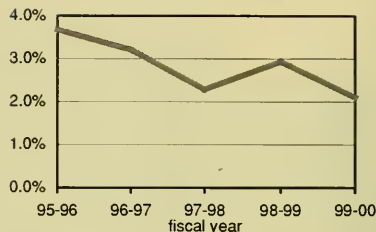
Close coordination with other city departments and efficient communication with the public resulted in a secured property tax delinquency rate of 1.42%, a historically low rate.

Unsecured Property Taxes

More than 29,000 regular and delinquent unsecured property tax payments were processed during Fiscal Year 1999-00. Revenue collection for unsecured property taxes during this period increased by over \$3,451,000, or about 5 percent, compared to last fiscal year's collection. Moreover, the Fiscal Year 1999-2000 unsecured property tax delinquency rate dropped to a record low of 2.11%.

TAX REDEMPTION BUREAU

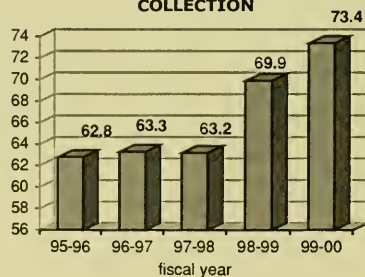
The Tax Redemption Bureau processes and computes payments of prior years' delinquent secured property taxes. It also maintains complete records on taxes being paid under five-year installment payment plans. In compliance with State law, each year this unit prepares a list of properties that have become

**UNSECURED PROPERTY TAX
DELINQUENCY RATE**

tax-defaulted more than five years (and therefore are subject to the Tax Collector's Power to Sell) and records a "Notice of Power to Sell Tax-Defaulted Property" for each of these properties. The Property Tax & License Section successfully conducted a public auction of secured real properties subject to the Tax Collector's Power to Sell on April 28, 2000. Of the 60 parcels originally offered for sale, 5 parcels were removed from the sale list, 35 parcels were redeemed prior to the public auction sale, and 19 parcels were sold to the highest bidders at public auction.

BUSINESS LICENSE UNIT

The Business License unit bills, collects, records and reports business license fees mandated by the San Francisco Municipal Code, Part III. All business license fees that are delinquent after 90 days are promptly reported to the regulatory departments for collection. During Fiscal Year

**UNSECURED PROPERTY TAX
COLLECTION**

1999-00, this unit processed 25,856 business license accounts for the Public Health, Police, and Fire departments as well as dog licenses for the Department of Animal Care and Control totaling more than \$5.5 million.

HIGHLIGHTS OF CURRENT ACCOMPLISHMENTS AND ACTIVITIES

1. Beginning in FY 1999-00, the Property Tax & License Section took on the processing of overpayments and duplicated payments property taxes for current and prior fiscal years, business license fee, and rent board fees under the amount of \$100, a function formerly performed by the Cashier Section. All refund requests are now being processed and reviewed on the City's computer network, and then electronically transferred to the Controller's Office for approval and issuance of refund checks. The online refund process enables staff to reduce the turnaround time of the issuance of refund checks, provide accurate information to taxpayers in a timely manner and process a large volume of refund requests.



2. 1,549 transactions, with a total collected revenue amount of \$178,965,723, were received by Electronic Fund Transfer (EFT) during FY 1999-00. With EFT, both mailing and check clearing times are eliminated. Therefore, funds are available to the county on the day a transaction is initiated. Taxpayers with an aggregate payment of fifty thousand dollars (\$50,000) or more on the two most recent regular installments on the secured roll are required to pay their property taxes by EFT.

BUSINESS LICENSE FEES STATISTICAL ACTIVITY FY 1999-00

Type of Collection	FY 1999-2000	
	Amount	No. of Items
Public Works	\$ 1,231	2
Police	1,111,434	10,673
Public Health	3,898,631	7,806
Fire	452,310	2,387
Dog Licenses	74,746	4,988
DPW Surcharge	-	0
TOTAL	\$ 5,538,352	25,856

PROPERTY TAX COLLECTIONS FY 1999-00

Secured Property	
Current Year	\$ 729,865,910
Prior Years Redemption	16,053,906
TOTAL	745,919,816
Unsecured Property	
Prepaid	1,198,232
Current Year	75,559,551
Prior Years	-3,360,701
TOTAL	73,397,082
Supplemental	
Secured	40,058,330
Unsecured	2,240,603
TOTAL	42,298,933
TOTAL COLLECTIONS	\$ 861,615,831

HON. SUSAN LEAL, TREASURER

In November 1997, Susan Leal was elected Treasurer of the City and County of San Francisco. As Treasurer, Ms. Leal serves as the city's banker, investment officer and tax collector. Treasurer Leal has established the following priorities for the Office of the Treasurer and Tax Collector:

- Provide superior customer service
- Achieve efficiencies and reduce costs
- Improve cash management and seek the best return on the City's investment with the lowest risk

Ms. Leal first joined city government in June 1993 when she was appointed to the San Francisco Board of Supervisors. The following year she won a four-year term, receiving over 100,000 votes in a citywide election. While serving on the eleven-member Board, Ms. Leal chaired the Finance Committee where she was responsible for preparing and balancing the City's \$3.4 billion budget.

Prior to her years in elected office, Ms. Leal served as Counsel to the U.S. House Energy and Commerce Committee's Subcommittee on Oversight and Investigations. In this capacity, she directed numerous drug safety and consumer protection investigations of the Food and Drug Administration. Ms. Leal also worked closely with then-Congressman Al Gore uncovering fraud and waste in public and private health care. In 1982 she returned to California in the capacity of Senior Consultant to the State Assembly's Committee on Ways and Means. There she was responsible for drafting the State Assembly's health budget. In 1984 Ms. Leal became vice president of a nationally recognized company that assists corporations and unions throughout the U.S. in health care management.

A San Francisco native, Ms. Leal graduated from Presentation High School in 1967 and the University of California at Berkeley in 1971, where she earned an Economics degree. She received her law degree from U.C. Berkeley's Boalt Hall in 1975.



GEORGE PUTRIS, TAX ADMINISTRATOR

George Putris has spent his career specializing in taxation law. Through both private practice and public service, he has gained extensive experience in the areas of federal income taxation, property taxation, state and local taxation, tax litigation, municipal finance, tax-exempt organizations and tax legislation. Immediately prior to undertaking the position of Tax Administrator, Mr. Putris practiced law in the San Francisco City Attorney's Office, where, as Deputy City Attorney, he served primarily as counsel to the Office of the Treasurer & Tax Collector.



Mr. Putris places a high value on efficiency, simplicity and fairness in the administration of the various tax services and regulatory functions performed by the Office of the Treasurer & Tax Collector. He believes that sound tax policy encourages voluntary compliance with the law, and that sound tax administration enhances the City's attractiveness as a place for businesses to locate their facilities and jobs. He is committed to revitalizing the policies and procedures that enable taxpayers to take full advantage of the services offered by the Treasurer & Tax Collector's Office.

Mr. Putris is a graduate of the Martin Luther King, Jr. School of Law at the University of California, Davis. He also has an LL.M. degree in Taxation Law from New York University. He received his BA degree from the University of California, Berkeley. Mr. Putris is a member of the California Bar Association.

JAY BANFIELD

CHIEF ASSISTANT TREASURER



As Chief Assistant Treasurer, Jay Banfield oversees vital operations of the Office of the Treasurer & Tax Collector, including the Investment Division and Cashiering Section, and compiles the Department's budget. He also manages the City Payment Center, a convenient central location in City Hall for many payments and other transactions. Mr. Banfield holds a particular interest in e-government, managing the launch of the CityServices online transaction center.

Mr. Banfield worked as a legislative assistant to Treasurer Leal when she chaired the Finance Committee of the Board of Supervisors, which oversees the budget for the City and County. Prior to joining municipal government, he was a manager at Oracle Corporation, focusing on federal, state, and local governments. He holds a B.A. from Stanford University and a Master of Public Policy degree from the University of California at Berkeley.

Active in the community, Mr. Banfield has served on the Board of Directors for local organizations Volunteers for Youth, Oracle Volunteers and Berkeley Dispute Resolution Service. He lives in San Francisco with his wife and two children.



AYISHA J. BENHAM

DEPUTY TAX ADMINISTRATOR

Ms. Ayisha Benham currently serves as the Deputy Tax Administrator in the Office of the Treasurer & Tax Collector. In this position, she oversees day-to-day management of the 9 sections of the Department, focusing on the administration and enforcement of all tax- and revenue-related collection for San Francisco.

Ms. Benham has extensive experience in the Bay Area in both the public and private sectors, including a 13-year tenure at the San Francisco offices of the Internal Revenue Service and several positions at Pacific Bell. Beginning in 1996, she worked for 3 years in the Budget & Finance Agency of the City of Oakland as an administrator in the Parking Division and a supervisor of the Revenue Division.

Ms. Benham studied at Howard University in Washington, D.C., and received a B.A. in Government & Public Administration from the University of San Francisco. She earned an M.B.A. with a Finance emphasis from St. Mary's College in Moraga. Presently, Ms. Benham lives with her four children and three dogs.

CONTACTS

SENIOR STAFF

Treasurer	Susan Leal
Tax Administrator	George Putris
Chief Assistant Treasurer	Jay Banfield
Deputy Tax Administrator	Ayisha Benham
Chief Investment Officer	Daniel Patrick Daly
Special Assistant to the Treasurer	Minda Ballete
Special Assistant to the Treasurer	Deborah Dubin
Section Managers:	
Accounting Section	Manuel Valle
Administration Section	Gail Hemenway
Bureau of Delinquent Revenue/ Investigations	Florence Mar
Business Tax Section	Mark Buckley
Cashiering Section	
Remittance & Mail Operations	Sonia Martinez
Banking Operations, Passport, & FAMIS Services	Charles Huff
Legal Section	Robert Fletcher
Property Tax & License Section	Francis Nguyen
Taxpayer Assistance Section	Anita Jin



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<http://CityServices.sfgov.org>

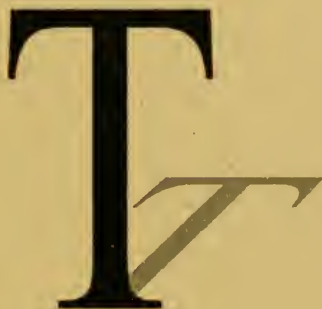
Taxpayer Assistance: (415) 554-4400

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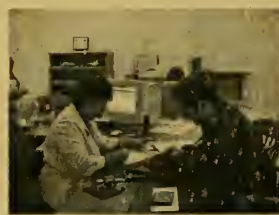
San Francisco



TREASURER & Tax Collector



CITY AND COUNTY OF SAN FRANCISCO



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Annual Report
Fiscal Year 2000-2001
Hon. Susan Leal, Treasurer

www.sfgov.org/tax/annualreport



San Francisco



TREASURER
& Tax Collector

I am delighted to present the Annual Report for Fiscal Year 2000-01. We increased revenue collection for the City, obtained the best rate of return on the City's investments, as well as brought innovation to the Office of the Treasurer & Tax Collector.

My office achieved a yield on the investments of San Francisco's pooled funds that surpassed every major county in the State as well as that of the State of California. My office handled more than \$9 billion in Citywide financial transactions. Moreover, the delinquency rate for Secured Property Tax reached a record low.

I continue to make customer service a priority for this Office. In a survey of over 500 customers, 95% of those surveyed rated the service as good or excellent. In addition, my office has won several awards this fiscal year. The City Services website, which was launched last fiscal year, has been so successful that it was named one of the top e-government projects nationwide by civic.com, a leading digital government publication. The U.S. Passport Application Acceptance facility, also opened last fiscal year, has grown to be the #1 acceptance agent in Northern California. As a result, the U.S. Department of State awarded it the Passport Services Partnership Award.

This Annual Report will provide you with a summary of the diverse functions performed by our department. Please also visit our web page at www.sfgov.org/tax, e-mail me at treasurer_taxcollector@ci.sf.ca.us, come to the City Payment Center in City Hall Room 140, or write or call my office if you have further questions or comments. Your views are one of the best measures of the success of our efforts, and I look forward to hearing from you.

Susan Leal
Treasurer



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QUICK REFERENCE

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This report covers the fiscal year from July 1, 2000 through June 30, 2001, and contains information from each operating section with statistical data on performance.

This report is available for download at: <http://www.sfgov.org/tax/annualreport>

STATEMENT OF PURPOSE

Treasurer Susan Leal, with the help of her staff, serves as the banker, tax collector, collection agent, and investment officer for the government of San Francisco, the only combined City and County in the State of California. The Treasurer, an elective office created by the City Charter in 1850, supervises a department of nine sections that receives over \$9.4 billion and disburses over \$9.2 billion annually.

The *mission* of the Office of the Treasurer & Tax Collector is to:

- Facilitate voluntary compliance with the tax laws of the City and County of San Francisco by simplifying all processes and procedures and by providing efficient customer service.
- Collect all taxes and fees due and owing to the City.
- Conserve all City funds, prudently investing the monies to achieve maximum yield, low risk and high liquidity.

The Office of the Treasurer & Tax Collector serves two basic functions for the residents of the City and County of San Francisco (CCSF):

1. The collection of taxes and other CCSF revenue.

Through mail, in person in the City Payment Center, and now through the Internet, the Department collects and deposits taxes and other obligations paid to the City, including business taxes, property taxes, and fees for various business licenses and permits that are required by the Municipal Code. Tax Collection units collect over \$2 billion annually in property taxes, business taxes, and license fees. Additionally, the Department investigates and collects unreported and delinquent tax obligations. Through the City Payment Center and the SFGov on-line CityServices website, the Department contracts to collect current and delinquent obligations owed to other City Departments, such as the Water Department and Department of Public Health.

2. The conservation and oversight of monies before disbursement.

The Treasurer manages all city funds in order to gain the maximum return with low risk and high liquidity, including investing the City's portfolio of pooled funds. The Treasurer works with all City departments to ensure that funds are received, deposited, and reconciled as quickly and accurately as possible, so as to provide maximum interest and investment returns for the people of San Francisco. The Department administers and monitors the deposit accounts and wire transactions of all City agencies and contracts with banks for financial services. The Department also disburses payments on the City's General Obligation municipal bonds.

MAJOR INITIATIVES OF 2000-01

- ♦ **CityServices Website Expanded.** Last fiscal year, the Treasurer launched CityServices (<http://CityServices.sfgov.org>), a web portal that allows customers to conduct business with the City via the Internet. The e-government website has grown since its inception and was named this fiscal year as one of the top 50 e-government projects nationwide by Civic.com, a leading digital government publication. The site was also named Best of the Web Finalist by the Center for Digital Government. CityServices enables users to conduct the following transactions online: obtain property tax information and make payments, renew annual business registration certificates, file and pay business taxes, order birth and death certificates, obtain electrical, plumbing and small building permits. In addition, customers will soon be able to pay parking tickets on-line.
- ♦ **Parking Lot Tax Enforcement.** The Treasurer implemented a series of enforcement initiatives aimed at parking lot operators, including the requirement of all operators to post a bright red "Certificate of Authority" at every lot to indicate that they are authorized to collect parking fees. These measures will help prevent the avoidance and/or evasion of such tax.
- ♦ **Yield Remained High.** The annual yield of San Francisco pooled funds, managed by the Treasurer, remained high at 6.026%. This ranked above all other major counties in the state and is a remarkably high return in a volatile financial market.
- ♦ **Delinquent Revenue Collections Rise.** Bureau of Delinquent Revenue collections increased more than 31% over the previous fiscal year, to over \$49 million. This included a 42% rise in Clearance/Business Tax collections and a 76% gain in Investigations collections.
- ♦ **Passport Processing Popular.** The Passport Services Unit became the premier Acceptance Agent in Northern California since its inception in November 1999, with over 12,000 applications, and revenues exceeding \$180,000. The Passport Services Unit also received the Passport Services Partnership Award from the U.S. Department of State Passport Services Regional Director, Eloise Shouse.
- ♦ **Audit Deficiency Billings Increase.** In Fiscal Year 2000-01, the audit teams increased the deficiency billing by 101%, or \$9.3 million, over the last fiscal year.
- ♦ **Property Tax Collections Increase.** The revenue collection of property taxes increased by 12.3%, or \$106,476,709, over the fiscal year. Secured property tax collection delinquency rates reached an all-time low of 1.33%.
- ♦ **City Payment Center Expands.** Sales of Muni Fast Passes continue to show steady growth due to increasing public awareness and easier availability of a variety of transit products. The number of items sold increased by 131%, or over 18,000 items sold at the City Payment Center.
- ♦ **Business Tax Statement Processing Time Decreased.** The processing time for business tax statements has been reduced from an average of six months to 30 days for revenue statements and 60 days for non-revenue statements.

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SECTIONS

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CITY PAYMENT CENTER



The City Payment Center provides a consolidated payment and information facility where taxpayers can make a wide array of City transactions in one place and receive customer-friendly guidance and direction regarding all City transactions, tax ordinances and outstanding City obligations.

The City Payment Center was created to:

1. Collect and process all City payments received from taxpayers by the Office of the Treasurer & Tax Collector;
2. Provide information and assistance effectively and quickly to taxpayers, other members of the public, and City departments;
3. Promote and perpetuate good public relations as a service-oriented unit.

The City Payment Center consists of four major sections: the Information Counter, Taxpayer Assistance, Passport Services, and Cashiering. Customers are first greeted and helped at the Information Counter by staff members who provide initial information and assistance. At the



MISSION:

To provide tax information effectively and expediently to taxpayers and other members of the public and City departments; to promote and perpetuate outstanding public relations as a service oriented unit; and act as the Office of the Treasurer & Tax Collector's prime public contact unit.

Taxpayer Assistance section, customers consult with expert analysts for detailed assistance and advice on local business and property tax, licensing, and fee issues. The Passport Application Acceptance desk was opened to increase the services provided by the City Payment Center. The Cashiering section operates up to twelve cashier windows to receive payments covering a broad array of transactions. Information regarding the Cashiering Unit is listed separately in this report.

There is also an Automatic Teller Machine (ATM), operated by the San Francisco Federal Credit Union that is accessible to the blind and partially sighted and does *not* impose surcharges on customers.

TAXPAYER ASSISTANCE

The Taxpayer Assistance (TPA) section, located in the City Payment Center, provides efficient and courteous help to San Francisco taxpayers through a phone bank and one-on-one assistance at a service counter. Its staff is cross-trained in all tax procedures used by the City, with an emphasis on customer service. The efforts of this section reflect the Department's philosophy that customers' needs are a priority and that the public should receive quality service and accurate information.

Last fiscal year, TPA developed closer communication and new policies and procedures with the Bureau of Delinquent Revenue and Business Tax Section, in order to more efficiently and comprehensively respond to customer needs.

During FY 2000-01, nearly 26,000 taxpayers directly interacted with TPA staff regarding their business accounts, including new business registrations. Additionally, the phone bank received over 74,000 calls. Over 95% of respondents to customer surveys rated TPA's overall service as "excellent."



PASSPORT SERVICES

The Treasurer opened a U.S. Passport Application Acceptance facility in the City Payment Center in

November 1999. Treasury staff processes applications, completes the daily mailing of applications, and serves as an information resource for the public regarding passports. The excellent service provided by the facility made it the #1 Passport Acceptance facility in Northern California. The unit recently received the Passport Services Partnership Award from the U.S. Department of State Passport Services Director, Eloise Shouse. The Department processed 12,061 passport applications this fiscal year, a 53% increase over last fiscal year, collecting over \$180,000 in revenue.

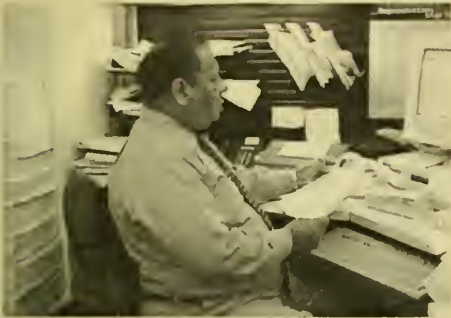
INFORMATION COUNTER

The Information Counter is staffed by a team of six staff members who are trained in a broad spectrum of city services and transactions, including San Francisco's property and business taxes, licenses, and fees. These staff members greet taxpayers as they enter the Office of the Treasurer & Tax Collector, assess their needs, and assist or refer customers appropriately, ensuring that their questions and concerns are fully addressed. They also act as liaisons on behalf of taxpayers with other City & County departments and as resources beyond City Hall, in order to resolve complex situations.

When not staffing the Information Counter, these staff members focus efforts on continuous improvement of the Department's services, including the development of innovative on-line applications and streamlining of customer transactions.

Additionally, they conduct outreach to community organizations, neighborhood associations, and business groups. Through these efforts, they educate the public about local requirements and promote awareness about City resources available to them.

ACCOUNTING SECTION

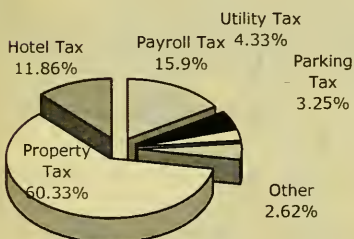


THE ACCOUNTING SECTION provides accounting and support services to the Department. It batches and performs daily and monthly reconciliation of cash and bank accounts. Following reconciliation, it records, reviews, and approves cash transactions on the Financial Accounting Management Information System (FAMIS). The unit also closely monitors collections, deposits, investments, and other related financial activities that involve cash and securities. Its responsibilities include input to budget preparation, expenditure tracking, appropriation payment requests, purchasing, and statistical reports for the Treasury Division. Additionally, this unit handles reconciliation of business tax credits and safekeeping functions for the City and County.

The two primary goals of the Accounting Section are to provide adequate internal control systems to safeguard the City's assets, and to assist the Treasurer in improving the Department's efficiency and productivity.

The Accounting team is grouped according to function: Real Property (Secured and Unsecured), Supplemental (Secured and Unsecured), Redemption, and Business Taxes.

TOTAL RECONCILED COLLECTIONS FY 2000-01



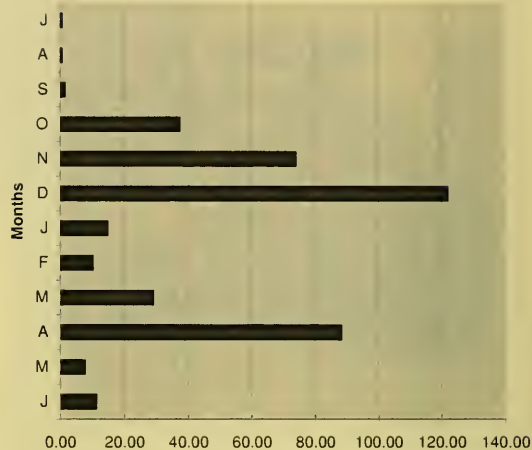
MISSION:

To increase accounting efficiency in the Office of the Treasurer & Tax Collector in order to serve the public more effectively and to reconcile the posting to individual taxpayers' accounts in an accurate and timely fashion.

ACCOUNTING SECTION MONTHLY RECONCILIATIONS FY 2000-01

HIGHLIGHTS OF FY 2000-01

- A total of 396,171 (represents 1st and 2nd installments) items were reconciled for secured real estate taxes, an increase of 1.88% (7,299) from last fiscal year.
- The total amount of reconciled dollars increased by \$171 million or 12% from last fiscal year.
- In December 1999, the unit began to complete Business Tax refunds via FAMIS as a more efficient way of processing.



TOTAL RECONCILED COLLECTIONS

No. of Items
(in thousands)

Collection Type	2000-01	1999-00
Property Tax	\$ 966,894,368	\$ 861,615,891
Payroll Tax	254,937,220	216,876,286
Gross Receipts Tax	42,003,291	37,198,069
Business Reg./License	10,022,932	10,171,036
Hotel Tax	190,114,192	178,707,653
Utility Users Tax	69,384,542	61,812,359
Parking Tax	52,022,688	47,803,120
Emergency Response Fees	14,327,070	14,630,873
Stadium Tax	2,866,736	3,148,422
Roofers' Fees	12,510	11,970
TOTAL	\$ 1,602,585,549	\$ 1,431,975,679

Performance Measures for 2000-01:

1. Reconcile Business and Payroll Expense payment batches within 10 days after the obligations have been posted.
2. Identify all errors in the batches within 5 working days during the peak season.
3. Post all payments and adjustments to the computer system within 5 working days of receiving payment.
4. Log all batches of payment statements from the Tax Collector Cashier Section within one working day.
5. Prepare monthly collections report within 45 days after the month-end for December 10 and April 10 property tax collections.
6. By June 30, 2001 allocate 99% of all Business Tax payments received in FY 2000-01.

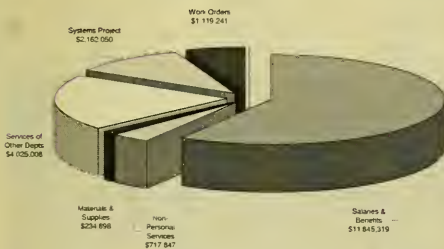
ADMINISTRATION SECTION



THE ADMINISTRATION SECTION provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector, including equipment, personnel, information services, and payroll. The staff of this unit is responsible for the purchasing and inventory of forms, envelopes, and supplies and the coordination of mailings of various tax statements. In addition, the Administration Section helps to develop the annual budget request by analyzing spending patterns and historical data and making recommendations to senior management. This is accomplished, in part, by careful tracking of expenditures on the citywide FAMIS system.

This unit also prepares numerous ad-hoc reports for the Mayor, Board of Supervisors, and interested citizens' groups.

FINAL BUDGET OFFICE OF THE TREASURER & TAX COLLECTOR FISCAL YEAR 2000-01



MISSION:

To provide such effective support services throughout the Office of the Treasurer & Tax Collector as will enable the Department to be recognized as the most efficient, knowledgeable, and helpful revenue-producing organization in the State of California.

TOTAL BUDGETED EXPENSE = \$19,904,363

- **Payroll**

Administration Section staff prepares payroll biweekly, including reporting daily attendance data. In FY 1998-99, the Department moved to paperless time reporting, accomplished on-line with Payroll and Personnel Services Division.

- **Budget Management**

The Administration Section, with the managers of each internal section, develops the annual budget for the Office of the Treasurer & Tax Collector before it is submitted to the Mayor's Office. This process begins in November and must be completed by February each year. The master budget for the Department in FY 2000-01 totaled \$19.9 million.

- **Personnel Management**

The Administration Section conducts hiring campaigns and assists managers in addressing disciplinary matters in a fair and appropriate manner. Personnel staff prepare and process all paperwork for hiring and release from employment, monitor Workers' Compensation cases and monitor compliance with the Americans with Disabilities Act, and The Family Medical Leave Act and all anti-discrimination statutes.

Over the course of the year, 31 hiring campaigns were conducted. By the end of the year, the Department was close to fully staffed. The hiring campaigns included

recruitment for a Director of Business Tax, and the conversion of provisional appointments to permanent status through recruitment.

The Department has now had more than a year's experience with DHR's on-line PeopleSoft program. The system has significantly reduced the turn around time on approvals of personnel requisitions.

- **Purchasing and Supply**

The Administration Section is committed to providing management and staff, in a timely fashion, with materials and supplies necessary to the performance of their duties. This includes maintenance of the inventory of approximately 130 different forms and statements. Furthermore, they also help employees participate in Citywide efforts such as the recycling programs, City Blood Drive, the City Food Drive, and the Citywide Combined Charities Campaign.

- **Departmental Accounting**

Unit staff serves as the main contact for departmental connections to the FAMIS, ADPICS, and BPREP on-line systems, including providing training while transition to these systems proceeded. It is responsible for accounts payable and analyzing spending patterns as part of the budget preparation process.

Goals and Objectives

- Keep employees and managers timely informed of various aspects of their employment rights, privileges, and responsibilities
- Address staffing needs at 95% or better year around.

BUREAU OF DELINQUENT REVENUE/INVESTIGATIONS



BUREAU OF DELINQUENT REVENUE (BDR) is the official collection arm of the City and County of San Francisco. It is authorized to collect all accounts receivable over \$300 and at least 90 days overdue for various City and County departments, including San Francisco General Hospital, Laguna Honda Hospital, Department of Public Works, City Attorney, Fire Department, Mayor's Office of Community Development, and the Water Department.

BDR uses automated collection software from Columbia Ultimate Business Systems (CUBS) to ensure that all assigned accounts are followed up on a timely basis and in accordance with approved and legal methods. Its objectives are to educate the public as to its responsibilities; to thereafter work with customers to elicit payment consistent with their ability to repay the debt; to maintain the goodwill of the client and the dignity of the customer; and to allow no unreasonable demands to any person.

Additionally, to remain updated on collection and system techniques, BDR employees are members of the California Municipal Business Tax Association and the California Revenue Officers Association and attend annual conferences.

BDR COLLECTIONS



TOTAL 1999-00: \$37,265,019
TOTAL 2000-01: \$49,182,010

MISSION:

To serve the City and County of San Francisco with expertise in all collection matters; to recover debts accrued; to enforce the local ordinances; and achieve compliance thereof. Additionally, to balance this commitment with providing efficient, effective and equitable service to the public and business communities so that they may meet their responsibilities.

BDR staff is divided into five units with discrete tasks:

GENERAL COLLECTIONS UNIT

This unit (formerly the Medical Unit) processes delinquent accounts referred to BDR from various departments under Section 10.38 of the San Francisco Administrative Code. These include, but are not limited to, San Francisco General Hospital, Laguna Honda Hospital, Department of Public Works, Mayor's Office of Community Development (MOCD), Recreation & Park and Department of Elections. A majority of the accounts are referred from the Department of Public Health.

GENERAL COLLECTIONS UNIT FY 2000-01

SFGH	\$ 10,161,676
Ambulance	361,578
Via Collection Agency	497,317
Laguna Honda	124,039
Water Dept.	43,265
MOCD	33,351
Dept. of Public Works	2,878
Commission	12,627
Other	147,699
TOTAL	\$ 11,384,430

The total amount collected this fiscal year was \$11,384,430, which is an increase of 12.8% compared to fiscal year 1999-00 with \$9,927,845 in collections.

ESCROW/BANKRUPTCY UNIT

The Escrow and Bankruptcy unit conducts thorough research, compiles data, and files timely claims on outstanding debts owed to the

ESCROW/BANKRUPTCY UNIT FY 2000-01

Unsec. Prop	\$ 536,480
Supp. Prop.	6,304
Sec. Prop.	987,016
Bus. Tax	684,703
Hotel Tax	325,997
Parking Tax	27,253
Utility Users Tax	19,023
Bus. Reg. Fee	50,104
License	32,501
Misc.	17,955
TOTAL	\$ 2,687,336

City when an escrow or bankruptcy is filed by a taxpayer.

Notices that are published or sent directly to this office start the research process. This unit conducts time-driven research on several systems. A total of \$2,687,335 was collected this fiscal year, which was an approximate 10% decrease from the previous fiscal year.

CLEARANCE/BUSINESS TAX UNIT

The Clearance staff works with business owners, the Business Tax Division, and the Property Tax Division to collect all delinquent business-related taxes, including unsecured personal property taxes, or to resolve the situation in a manner fair to the interests of the customer and the City.

Collections by the Clearance Unit were \$32,373,263 in FY 2000-01, a 41.94% increase over the previous year.

INVESTIGATIONS UNIT

The Investigations Unit ensures that taxpayers comply with City and State tax provisions, and operates in support of all sections in the Tax Collection Division. Investigations is responsible for a wide range of enforcement activities, such as surveys, surveillance, Small Claims filing, post-judgment execution, seizures, summary judgments, FTB Offsets, complicated accounts, citations, business tax and (UPP) liens, and

**CLEARANCE/BUSINESS TAX UNIT
FY 2000-01**

Unsec. Prop.	\$ 3,393,282
Receipts/Payroll	22,303,639
Bus. Reg.	1,047,370
Hotel Tax	3,587,781
Parking Tax	2,031,279
Misc.	9,911
TOTAL	\$ 32,373,262

judgment renewals.

This unit posted a 76% increase in revenue generated over the fiscal year, from \$1,555,450 to \$2,736,981.

The Investigations Unit staff used several different methods of activity:

- *Surveys*

The investigators are assigned to research, inspect and interview businesses in a systematic approach targeting the potentially high revenue businesses in the City. Unregistered businesses are currently referred to the Clearance Unit. During the fiscal year, despite the retirement of 2 investigators, 4,975 businesses were surveyed in the Financial District, Richmond and South of Market areas.

- *Small Claims and Postjudgments*

This fiscal year, BDR obtained 475 judgments, compared to 172 in FY 1999-00. Furthermore, wage garnishment activity has been successful, with 79 filings in this period generating \$88,965. Satisfactions and partial payments were also realized in the total amount of \$184,155. Therefore, this sub-unit generated an aggregate amount of \$300,319 during this fiscal year.

- *Franchise Tax Board Offset Program*

In December 2000, the unit submitted 557 accounts to the State, representing \$7,943,472. Fiscal year 2000-01 collections are \$26,821 compared to last fiscal year collections of \$41,839.

- *Marine Seizures*

The investigators posted seizure notices on 39 vessels and generated a total collection of \$16,889.53, compared to 26 seizure notices last year generating \$5,783.35.

- *Liens*

This category includes manual filings of liens and lien releases of Unsecured Personal Property (UPP) and Business Tax accounts. Automated filing of UPP liens totaled approximately 2,870, a slight increase compared to 1,948 filed last fiscal year.

- *Abandonment/Closed accounts*

Accounts for which judgments have exceeded the statute of limitations or bankruptcies have been filed must be reviewed prior to abandonment. A project to clear the judgment inventory is still ongoing, which should further reduce accounts receivable.

- *Citations*

Citation training was provided to Investigations staff by the Police Academy in the early part of the fiscal year. Topics included Completing the Citation Form; Conflict Management; Getting the Signature; and Defense Tactics and Safety Considerations.

CLERICAL UNIT

This subunit is responsible for providing all clerical work for the various units of BDR and provides initial screening of customers in the office to determine which section or employee is most appropriate to resolve issues. Counter coverage is provided on a rotational basis from clerical staff. BDR has set a goal that each clerk will be cross-trained to handle and/or assist with any unit that is in need of their services. During this fiscal period, this unit assisted approximately 17,101 customers.

HIGHLIGHTS OF 2000-01

- Collections during the FY increased over 32%, to \$49,182,010.
- The Unsecured Personal Property Tax delinquency rate was kept under 3%.
- Two new clients were obtained: Mayor's Office of Community Development and Adult Probation.
- Staff attended CROA, CUBS and CMBTA conferences.

PERFORMANCE MEASURES FOR 2000-01:

- | | |
|---|---|
| 1. Increase total revenue generated by 5%. | Done, increased by 31.98%. |
| 2. Process 15,000 delinquent accounts. | Done, processed 34,177 delinquent accounts. |
| 3. Collect \$14 million on delinquent business taxes. | Done, collected \$32 million. |
| 4. Make 27,000 phone contacts with debtors. | Done, contacted about 58,370 debtors. |
| 5. File 750 escrow/bankruptcy claims. | Done, filed 840 claims. |



BUSINESS TAX SECTION

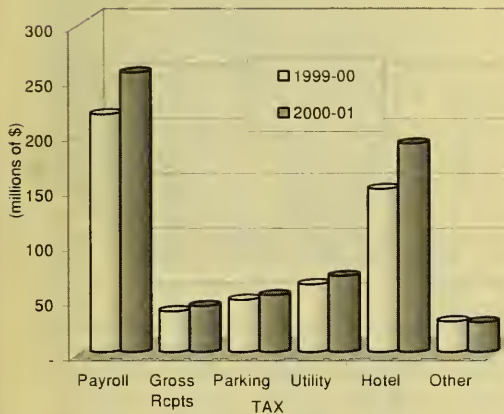


THE BUSINESS TAX SECTION implements and enforces all Business Taxes and Registration Requirements for the City and County of San Francisco, as well as Roofers Vehicle Tag fees, Parking Taxes, Hotel Taxes, Utility Users Taxes, Emergency Response fees, and Stadium Taxes. The Section comprises two functional units—the *Audit Unit* and the *Account Services Unit*. During the previous fiscal year, the Problem Resolution Unit was organized directly under the Business Tax Director to work rapidly on high-priority referrals and issues.

AUDIT UNIT

The Audit Unit periodically performs scheduled and unscheduled audits to promote voluntary taxpayer compliance with the City's Business Tax Ordinance and detect any underreporting by registered businesses.

BUSINESS TAX COLLECTIONS



- (see Accounting Section *Total Reconciled Collections*, p. 10)

MISSION:

To implement and enforce the Business Tax Ordinances; to administer these municipal tax provisions to ensure taxpayer compliance through accurate and responsive account maintenance systems and a post-audit program that monitors voluntary compliance; and to promote revenue maximization.

AUDIT SECTION ACTIVITY

Type of Audits	2000-01	1999-00
Business/Payroll Tax	643	851
Parking Tax	24	20
Hotel Tax	12	35
Utility Tax	2	-
Total	681	906

The total number of audits completed decreased from 906 in FY 1999-00 to 681 in FY 2000-01. The number of audits declined due to the complexity of the cases and the increase in the number of accounts claiming tax credits. Overall, however, the number of hours expended per audit increased. This resulted in an increase of 101% in total audit deficiency billings for FY 2000-01. Audit deficiency billings totaled \$9,319,767 compared to \$4,639,124 in FY 1999-00.

This unit performed 12 substantial audits that generated a billing in excess of \$100,000. A total of 23 out-of-state audits were conducted that generated \$985,417.

ACCOUNT SERVICES UNIT

The Account Services Unit maintains taxpayer accounts in the Business Tax System (BTS) and reviews and processes annual, semi-annual, and quarterly tax filings, business registration renewals, prepayments, and refund requests. The unit also troubleshoots all systems-related problems or issues, reviews service requests, recommends action for enhancement, and responds to requests for statistical information.

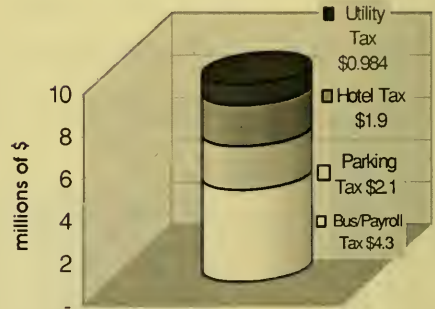
On May 25, 2001, the Mayor signed legislation passed by the Board of Supervisors on April 23, 2001, repealing the City's gross receipts method of computing business taxes. This legislation was made retroactive to January 1, 2000, with provisions to refund all taxes paid on the basis of gross receipts after such date. The Account Services Unit was required to

make major changes in a large number of its basic procedures and processes to accommodate this legislation and the resulting business tax refunds.

The Account Services Unit mailed, processed, and administered the following tax statements and notices during FY 2000-01:

- **Annual Business Tax Registration Renewal:** In September 2000, 87,322 taxpayers were sent Annual Business Tax Registration Renewal forms. Of that, 60,885 taxpayers renewed their registration certificate. For the first time last fiscal year, customers were able to renew their registrations on the Internet via the new CityServices website (<http://cityservices.sfgov.org>).

AUDIT DEFICIENCY BILLINGS



Total Audit Deficiency Billings = \$9,319,767

During this second year of on-line filing, 1,633 taxpayers renewed on-line versus 615 in year 2000. The Office of the Treasurer & Tax Collector is continuing to improve this service to provide ease of filing for taxpayers.

- **Business Receipts and Payroll Tax Annual Statement:** In January 2000, 74,432 Business Receipts and Payroll Tax Annual Statement packets were mailed to taxpayers. Due to the Gross Receipts Repeal, the unit took a proactive role in training staff about the changes in legislation so that they may better address frequently asked questions posed by the public. Furthermore, the change resulted in many new tasks for this unit to accomplish in a small amount of time, as it had to update forms, statements, brochures, and process statements.
- **Reminder Notice:** 68,196 courtesy reminder notices were mailed to taxpayers in mid-February 2001 to encourage the timely filing of the 2000 Annual Business Tax Statement.
- **Business Payroll Tax Second Notice:** A total of about 17,897 taxpayers were sent a Second Notice letter in June 2000 informing them that their 2000 Annual Business Tax Statements were delinquent and subject to penalties and interest.
- **Business Tax Determination:** 15,764 taxpayers failed to respond to the Second Notice in this fiscal year. Determination Notices were sent to these taxpayers advising them to file immediately in order to avoid the assessment of escalating penalties and collection activity.
- **Quarterly and Semi-Annual Business Tax Prepayment:** To facilitate and accelerate collection of the total amount of tax liability due for a given year, taxpayers are mailed either quarterly or semi-annual prepayment statements. Taxpayers with expected tax obligations exceeding \$50,000 in tax liability receive quarterly prepayment statements. Semi-annual prepayments are due the last day of July for tax obligations between \$2,500 to \$50,000. A total of 9,253 prepayments were mailed during year 2000. Of that, 441 prepayment accounts were adjusted for the 2000 tax year.
- **Quarterly and Monthly Hotel Tax and Parking Tax Prepayment:** In addition to managing of the Business Tax and Payroll Tax filings, the Account Services Unit also oversees the Hotel Tax, collected from over 800 hotels, and the Parking Tax, collected from approximately 350 parking operators. For FY 2000-01, 2,950 monthly hotel prepayments and 2,486 quarterly hotel tax statements were filed. In addition, 2,002 monthly parking tax prepayments and 990 quarterly parking tax statements were filed.
- **Utility Users Tax Monthly Tax Statement:** During FY 2000-01, 1,904 Utility Tax Statements were filed. This year, a new Utility Tax Statement was developed to ensure uniformity of the filing process for monthly returns and it allowed staff to process accounts more efficiently.
- **Request for Waiver of Penalties:** For the 2000 tax year, the Account Services Unit approved 585 waiver requests related to late filings. Of this number, 439 represented tax requests for waiver of penalties for the 2000 tax year and 146 for prior tax years' penalties.
- **Reinstatement of Small Business Exemption:** During the 2000 tax year, the unit received 78 requests for the Reinstatement of the Small Business Exemption, of which 76 were approved and 2 denied.
- **Requests for Taxpayer Refunds:** In FY 2000-01, Account Services received 2,878 refund requests for various payments. Of this, 2,807 were approved, 71 were denied. This represents an increase of 132%.

TAX CREDIT FILINGS

Type of Tax Credit	No. of Firms Filing					Amount Claimed
	1996	1997	1998	1999	2000	2000
Enterprise Zone	11	8	12	12	8	\$ 12,058
New Jobs	148	217	287	364	539	25,288,887
Summer Youth	3	-	5	3	2	169
Garment Mfrs.	n/a	62	75	86	77	496,724
TOTAL	162	287	379	465	626	\$ 25,797,838

OTHER PROJECTS

♦ **Business Tax System Replacement Project**

Beginning in September 1998, a consultant retained by DTIS researched the Business Tax functionality requirements, surveyed other cities' business tax systems, and examined two potential replacement systems in-depth. Business Tax staff then tested, reviewed, and evaluated a sample program to provide feedback to the consultant. In November 1999, the consultant completed his analysis and presented his recommendations for the replacement business tax system. A vendor was selected in August 2001. The conversion is expected to begin in early September 2001 and the target completion date June 30, 2002.

♦ **Staff Development Training Classes**

Business Tax staff participated in Performance Evaluations, Harassment Prevention, Request for Proposal (RFP) do's and don'ts, How to Create an RFP, SF Bay Area Conference on

Women, and Society of Auditor-Appraisers Conference.

♦ **Special Presentations**

Business Tax Section staff and the Tax Administrator presented an overview of San Francisco's business taxes and the collection and enforcement of taxes to Chinese delegations in November and December of 2000.

♦ **Training Workshops**

Business Tax staff provided an overview of the four tax credits to over fifty accountants and tax professionals in a workshop sponsored by the Private Industry Council.

♦ **Annual Tax Credit Report**

Each year during the month of May, the Tax Collector's Office submits an Annual Tax Credit Report to the Board of Supervisors. Six hundred twenty-six businesses claimed a total of \$25,797,838 in tax credits for tax year 2000, an increase of 40%.

HIGHLIGHTS OF FY 2000-01

1. The Business Tax Section was restructured, and a Business Tax Director was hired to supervise and manage the Section.
2. The Audit unit billed \$9,319,766 in audit deficiencies compared to \$4,639,124, a 101% increase, from last fiscal year.
3. On May 25, 2001, the Mayor signed legislation that was approved by the Board of Supervisors to repeal the Gross Receipts Tax, effective January 1, 2000.
4. The processing time for business tax statements was reduced from an average of six months to 30 days for revenue statements and 60 days for non-revenue statements.

CASHIERING SECTION



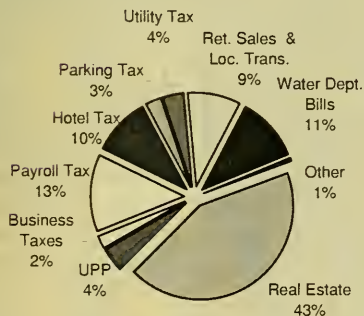
The **CASHIERING SECTION** receives and processes much of the City's money intake, including all tax revenue, and oversees the deposits of most City departments.

To eliminate redundancy and increase flexibility, the Treasury Cashiering and Tax Collector Cashiering units were restructured and merged under the Chief Assistant Treasurer in FY 1998-99. This allowed the Department to expand the Remittance Processing Center and City Payment Center to handle an increased number of transactions without increasing personnel.

REMITTANCE & MAIL OPERATIONS

The Remittance & Mail Operations Unit accepts and processes all types of tax payments, registration and license fees, including payments received through the mail, presented in person, paid by credit card or wire, and through the Internet.

CASHIERING COLLECTIONS FY 2000-01



TOTAL COLLECTIONS =
\$2,023,198,418
(see chart p. 22)

MISSION:

Remittance & Mail Unit: *To collect and process all City payments received from taxpayers efficiently and expediently, and to provide substantive information and assistance to taxpayers and other members of the public.*

Banking Operations Unit: *To receive, account, process and deposit all payments for taxes, licenses, and other revenues efficiently and effectively and to render high quality services to departments, residents, businesses, and visitors.*

In addition, many public transportation products are sold at the City Payment Center by Cashier staff.

Remittance & Mail Operations is comprised of four areas, which work together to process and post all tax payments:

- *City Payment Center Cashiers* accept payments from taxpayers, sell transit items, distribute commuter checks, receive department deposits, process mail payments, and distribute departmental non-sufficient funds (NSF).
- *Mailroom* staff sorts, opens and verifies all mail for the Office of the Treasurer & Tax Collector, Water Department, and Port of San Francisco and distributes it to designated units.
- *Remittance Processing* processes water bills and other tax payments using high-speed NCR Remittance machines.
- *Check Control and Research* researches and processes unidentified tax payments in order to produce payment stubs for Delinquent Revenue payments and other tax bills.

In Fiscal Year 2000-01, the Remittance & Mail Processing Unit successfully integrated the "TWO-PASS" system to the NCR machine (remittance processing system for direct bank remittance). This eliminated the process of presorting mail by matching checks and statement stubs and thus increased efficiency.

Overall, total collections by this unit increased from \$2.1 billion in FY 1999-00 to \$3.3 billion in FY 2000-01. This represents a growth of \$191.2 million, or 10%, a sizeable portion of which resulted from the full integration of Water Department bill collection.

Other major successes also attributed to the increase in collections. There was a

substantial increase in collection from Real Estate taxes. Supplemental property tax collections increased by \$25.3 million or 61%. Secured Property Tax increased by 88.6 million, or 12%, over last fiscal year. Additionally, there was an increase of 10% from licensing fees and delinquent revenue. Sales of Muni Passes also continue to grow with more public awareness. Forty thousand one hundred fifteen items were sold through the City Payment Center this year, an increase of 61% over last year.

The Mailroom sorted, opened, and distributed a total of 1,222,413 pieces of mail to all the different divisions of the Office of the Treasurer & Tax Collector during the year. Approximately 55% of the mail was related to Water Department payments. Real Estate bills constitute 19% of all envelopes processed.

**REMITTANCE & MAIL
COLLECTION TOTALS**
(in millions of \$)

Revenue Type	2000-01	1999-00
Sec. Property Tax	\$ 824.3	\$ 735.6
Real Estate Supplemental	66.7	41.3
Unsecured Personal Property (includes redemption)	80.7	78.8
UPP Supplemental	1.7	2.2
Business Tax Registration	10.0	10.1
Business Tax	42.0	37.2
Payroll	254.7	216.6
Tax Redemption	13.6	14.7
Hotel Tax	190.1	177.6
Parking Tax	52.0	46.9
Utility Tax	69.4	61.8
Retail Sales & Local Transit	179.1	160.4
Water Bills	210.1	221.2
License	5.7	5.5
Emergency	14.3	13.7
Other	8.9	8.5
TOTAL	\$ 2,023.3	\$ 1,832.1

* dark gray area - refer to page 10 for reconciled values

The Check Control area exhibited an increase of 36% in the number of articles handled by this area versus last fiscal year. This increase was in direct response to other coordinating department requests to have actual items placed in check control.

Accomplishments in FY 2000-01

- Since the launch of the City Business Website (<http://CityServices.sfgov.org>) in 1999, the convenient transactions available on the website has helped to alleviate some of the crowds and waiting time during the busy season in the Office of the Treasurer & Tax Collector. A total of \$1.4 million was collected over the web for property and business taxes this fiscal year.
- The Remittance Area has integrated the "Two-Pass" system to the NCR machine to enhance the capability of the machine. This system relies on 2 important software components called "CAR" (Courtesy Amount Recognition) and "LAR" (Legal Amount Recognition).
- The Netvantage-ITEMAGE software has also matured well and is now fully capable of allowing cashiers to retrieve information without having a bill or statement stub.
- The San Francisco Cashiering Software System has become a model for other California counties who are looking to improve their existing systems. Teams from other counties often tour the facilities to view a demonstration of the state of the art software for possible implementation.



BANKING OPERATIONS, PASSPORT, & FAMIS ACCOUNTING SERVICES

The primary objective of the Banking Operations, Passport, and FAMIS Services Unit of the Cashiering Section is to process and account for the receipt of collections, departmental deposits, and disbursements by the close of the same business day. These functions are completed in compliance with audit standards with internal controls being achieved in conjunction with the Department's Accounting Section.

Detailed responsibilities of the Banking Operations Unit include:

- Processing and accounting of all City and County monies and checks received through direct bank deposits, mail center, electronic fund transfers, federal reserve wires, lockbox operations, credit card transactions, and transactions at the City Payment Center.
- Payment of all Controller warrants through the Department's Clearinghouse Bank.
- Reconciliation of the above receipts and disbursements with total cash, on a daily basis.
- Reconciliation on a daily and monthly basis of the Treasurer's checking accounts.
- Reconciliation of the Treasurers Group of Accounts (47 city wide).
- All banking adjustments and NSF checks (city wide).

- State reporting of Absent Heirs and Abandoned Property.
- Detailed reconciliation of FAMIS reports and technical support to Budget process.
- Processing of U.S. Passport applications through the Passport Services desk, located in the City Payment Center. Banking Operations staff witnesses the signing of applications and forwards them to the main Passport Agency receiving facility. The unit also answers customer questions regarding passport applications.

Tax collection receipts and other City department receipts are electronically received

CASHIERING SECTION

BANKING OPERATIONS, PASSPORT, & FAMIS ACCOUNTING SERVICES UNIT

TRANSACTION STATISTICS FY 2000-01

Departmental Deposits	2,342,690,490
Wires/Electronic Fund Transfers (EFT)	5,096,638,442
Credit Card Wires	9,001,006
State Checks	322,591,859
Citywide Receipts (not inc. tax collections)	\$ 7,770,921,796
Disbursements	
Citywide Disbursements	4,817,809,353
Disbursement Wire outs	4,436,673,192
Total Citywide Disbursements	\$ 9,254,482,545
Port Lockbox	\$ 21,264,700
Non-Sufficient Funds (NSF)	6,415,144
Passport Applications Processed	2,674
Passport Processing Fee	180,915
Number of Stop Payments Processed	1,718
Number of Checks Deposited	3,377,104
Number of NSF Checks Returned	5,916
Number of NSF Checks Releared	9,301
Cash & Equity Balance (as of 6/30/01)	\$ 2,975,131,492
Total Safekeeping Item Amt. (6/30/00)	\$ 5,908,853

for processing through the NCR remittance processing system for direct bank remittance. These procedures provide early deposit of receipts plus reduced bank charges.

All checks received through the Treasurer's receiving window are encoded and microfilmed before they are deposited in the City's bank accounts. A division of duties among the Department's receiving cashiers, vault cashiers, paying cashiers, reconciliation cashiers, clerks, and accountants ensure internal controls.

In addition, the Banking Operations Unit oversees credit card payments to the City for property taxes, traffic fines, towing and storage fees from the Department of Parking and Traffic, misdemeanor bails, library fees, and Bureau of Vital Statistics fees, including fees for birth and death registration.

HIGHLIGHTS OF FY 2000-01

- The Passport Services Unit received the Passport services Partnership Award from the U.S. Department of State Passport Services Regional Director, Eloise Shouse. It is the #1 Acceptance Agent in Northern California and generates over \$180,000 annually.
- The Cashiering unit processed over 1.2 million items with an accuracy rate over 99%, exceeding private industry.

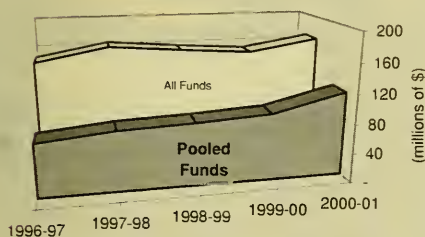
INVESTMENT DIVISION



The chief purpose of the **INVESTMENT DIVISION** is to administer and control the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. The staff's goal is to maximize interest income while preserving the liquidity and safety of the principal. The Investment Division has consistently demonstrated prudent portfolio management with excellent results. In Fiscal Year 2000-01, the Treasurer executed \$14.35 billion in investment transactions.

Direct wire lines maintained by major investment houses enabled the Chief Investment Officer to make investments on behalf of the City through rapid, competitive online bidding. The Treasury does not own any stocks or bonds. Instead, the City's accounts (excepting pension funds) are invested in commercial paper, bank notes, banker acceptances, Federal agencies, and U.S. Treasury notes.

PORTFOLIO PERFORMANCE: TOTAL NET EARNINGS



Cash Managers

The Cash Managers assist the Chief Investment Officer in administering the cash management and investment policies. The Cash Managers' primary responsibilities include:

- Initiating, analyzing, and modifying cash-flow procedures and systems.
- Advising and making recommendations regarding cash management procedures and policies, bank relationships, bond interest and redemption wires, and the bond arbitrage rebate program.

Yield Comparisons FY 2000-01

S.F. Cty. (Pooled)	6.026%
S.F. Cty (all funds)	6.066%
Avg. 90-day U.S. T-Bills	4.90%
San Diego Cty. (Pooled)	6.05%
Los Angeles Cty. (Pooled)	6.01%
State Local Agency Fund (Pooled)	6.12%

G.O. BONDS ISSUED IN FY 2000-01

Par Value

Affordable Housing - Series 2000D	\$20,000,000
Golden Gate Park Improvement - Series 2000A	\$17,060,000
Neighborhood Recreation & Park Facilities, 2000 - Series 2001B	\$14,060,000
Affordable Housing - Series 2001C	\$17,000,000
Taxable Affordable Housing - Series 2001D	\$23,000,000

- Ensuring compliance with regulations requiring that all revenues received by City departments are deposited and receipted in a timely manner.
- Managing the bond and coupon redemption program.
- Preparing and issuing Requests for Proposal (RFPs) for various financial services as required by individual departments.
- Co-administering the bond arbitrage rebate program with the Controller.

The Investment Division also monitors and invests all City funds that flow through the remittance processing system by electronic access. All funds are transferred by Fed-wire to the City's primary bank accounts for disbursement by the Controller or investment by the Treasurer. Additionally, in FY 2000-01, the Investment Division implemented 881 outgoing Federal wire transactions valued in excess of \$1.4 billion.

Bond and Coupon Redemption

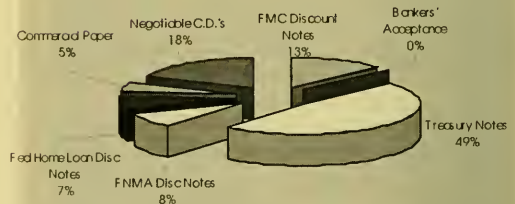
The Treasurer, through the Investment Division, is responsible for the payment of the City's general obligation bonds, principal and interest. During FY 2000-01, the Treasurer paid \$1.27 million in interest and \$255,600 in principal on bearer bonds, and \$61.21 million in

interest and \$163.10 million in principal on book entry bonds.

In FY 2000-01, \$91,120,000 in general obligation bonds were issued. Since 1991, bonds A through G and since 1992, bonds A through D were called over to maturity.

The Investment Division is also responsible for the calculation of arbitrage rebate liability for bond revenue proceeds. Currently, calculations are performed on approximately 40 bond issues. Once the calculations have been performed, the calculation workpapers are forwarded to the Controller's Office for review and verification of any liability due and payment of any liability on the fifth year anniversary date.

INVESTMENTS OUTSTANDING AS OF JUNE 30, 2001



TOTAL PAR VALUE = \$3,009,880,000
TOTAL BOOK VALUE = \$2,975,131,492

- Avg. age of portfolio = 346 days
- Interest Received = \$157,148,316
FY 2000-01
- Total Net Earnings = \$169,089,540
FY 2000-01
- Market Value = \$2,986,611,388
- plus fixed assets = \$23,494,020
accrued earnings

LEGAL SECTION



LEGAL SECTION'S primary mandate is to pursue collection litigation on delinquent accounts under the Treasurer & Tax Collector's jurisdiction when all other collection efforts have failed. Legal Section also responds to legal challenges to Treasurer & Tax Collector claims in bankruptcy, judicial foreclosure, and hospital lien cases. Moreover, Legal Section serves as the legal advisor to the Tax Collector and his section supervisors on collection-related issues.

Collection Activities

- 7 complaints and answers filed
- 1 abstract or consensual lien recorded

Most delinquent accounts referred to the Legal Section are tax deficiency assessments from the Business Tax Section; the remainder originates from the Bureau of Delinquent Revenue (BDR). Although civil collection suits are the primary means of enforcing payment of delinquent accounts, Legal Section uses negotiations in conjunction with other civil creditor procedures when appropriate in support of voluntary payment agreements negotiated with the debtor. Legal Section also monitors all monthly payment accounts in its inventory and takes specific action to bring defaulting debtors into compliance.

LEGAL SECTION OVERALL ACTIVITY

TYPE OF ACTIVITY	2000-01	1999-00
Complaints & Answers Filed	7	5
Abstracts & Consensual Liens Recorded	1	5
TOTAL DOLLAR RECOVERY	\$3,084,312	\$2,355,684
Concluded Bankruptcy Cases (transferred to BDR)	17	14
BDR Hospital Liens	\$263,531	\$688,562

MISSION:

To provide litigation services in all cases under the Tax Collector's jurisdiction where court action is the only effective collection tool and to provide legal advice on collection-related issues to the Tax Collector and section supervisors.

The section's priority was the identification of those monthly payment cases where the debtor had defaulted and take action to promote compliance.

Litigation Activity

- 7 new cases filed
- 1 judgement entered
- 2 cases dismissed

Legal Section successfully litigated two matters that set important precedents for future collections by the Tax Collector. One case held controlling individuals of parking lot facilities responsible for the tax on parking lots. In the second case, Legal successfully defended the Tax Collector's right to obtain summary judgements for delinquent taxes without trial pursuant to Article 6 of the San Francisco Business Tax and Regulations Code.

In addition, Legal successfully litigated 3 hospital and Mayor's Office of Community Development cases referred by BDR.

BDR/Hospital Cost Recovery Liens

- \$263,531 collected

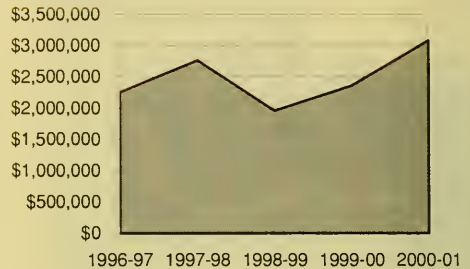
The total collection through liens on hospital patients' third party recoveries declined from the previous fiscal year due to the appellate decision in *Olszewski v. ScrippsHealth* which eliminated health care provider liens on third party recoveries obtained by Medi-Cal beneficiaries. Medi-Cal beneficiaries comprise a large segment of the San Francisco General Hospital patient population.

Bankruptcy Litigation

- 20 cases referred
- 17 cases successfully completed
- 16 cases in inventory

In this program, also coordinated with BDR, Legal Section performs legal services in the bankruptcy courts on specific bankruptcy files

LEGAL SECTION TOTAL DOLLAR RECOVERY



(Recovery in some cases credited to BDR following litigation work by Legal Section.)

referred by the BDR bankruptcy group, including responding to debtor objections to Tax Collector creditor claims, improper treatment of taxes in debtor payment plans, and lawsuits filed in bankruptcy court against the Tax Collector.

Non Litigation Collection Activity

- 3 cases fully collected - \$844,230
- Partial payments from remaining cases - \$952,443
- 2 installment payment cases added - \$85,823

In addition to litigation activity in the courts, Legal Section has also initiated action to obtain payment of large (exceeding \$100,000) tax delinquencies by effective negotiation leading to tax liens and installment payment agreements.

Legal Advice

Staff attorneys give oral telephone advice and written responses to legal inquiries from other Tax Collector Sections throughout the year. The attorneys prepared three major legal advice memoranda for the Tax Administrator this fiscal year.

MANAGEMENT INFORMATION SYSTEM



THE MANAGEMENT INFORMATION SYSTEM (MIS) SECTION was created in July 2000 to provide centralized support services for the entire department's computer and information system needs. This includes procurement of services, hardware, software and data processing supplies, and administering the hardware and software maintenance agreement for the different systems. Additionally, they are responsible for the system administration of the Department's local area network (LAN) and wide area network (WAN) services.

MIS deployed the Citrix terminal server in June 2001 to allow remote network connectivity through dialup access and virtual private network (VPN) Internet connection to the Department's resources. It is expected that these resources will be expanded to a wireless environment that will provide real time information for the auditors and investigators conducting fieldwork.



MISSION:

To support the various Information Technology projects of the Department in providing high quality customer service, maximizing revenue collection and providing the necessary management tools and services in increasing staff productivity and efficiency.

The MIS section coordinates custom programming issues, service request, production support maintenance and security issues with the Department of Telecommunication and Information Services (DTIS), vendors and consultants.

MIS worked in collaboration with the Department's Customer Service Committee to launch the Intranet website TTXCenter in September of 2000. This site facilitates the needs of the Department for resource and information sharing. MIS maintains the server resources and the Customer Service Committee maintains the web design and contents. In addition, in FY 2000-01, MIS was able to perform a large number of upgrades on the PCs, installed additional tax bill mainframe printers for use at the City Payment Center, Real Estate Section and Check Control Unit.

This unit also works to implement and maintain access to specialized applications for each different section. Some of these applications include: Cardiff Teleform Information Capture System, Alchemy Imaging, Columbia Ultimate Business System, Netvantate-ITEMAGE, Anacomp-Alva, Timeslip, Compulaw, SmartLaser 2000, MAPINFO, EPISUITE Pro.

Coordinates Services with State and Other City Departments

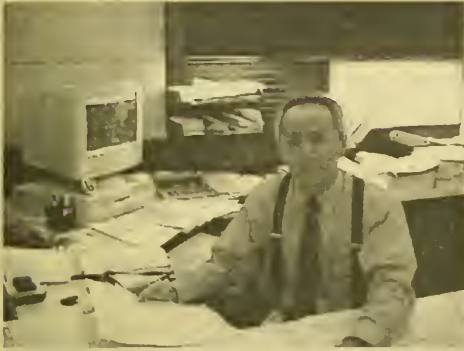
The wide area connection (WAN) through DTIS and other City departments ensures the highest reliability and interoperability of our systems. The department use of Rumba Office provides interfaces to the IBM Mainframe, UNIX VAX, and AS/400 for all critical and confidential records and information pertaining to Secured and Unsecured property taxes, business licenses and taxes and patient information.

Highlights for Fiscal Year 2000-01:

- Upgraded the Novell servers to increase their processing and storage capability.

- Upgraded the Business Tax, Legal Section and Bureau of Delinquent Revenue desktop computers from Windows 95 to Windows 98/NT/2000 operating system with faster processors and larger monitors.
- Implemented an imaging system for Business Tax and Bureau of Delinquent Revenue.
- Assisted in the implementation of the Department's intranet server, TTXCenter, to facilitate information and resource sharing within the Department.
- Implemented desktop GIS project for BDR's Parking unit for geocoding parking data for spatial analysis and visual display on the map.
- Implemented a time and billing system for the Legal section for tracking the hours worked on cases.
- Expanded the e-government cashiering interface application support for web property tax payment and inquiries.
- Installed additional mainframe tax bill printers at the Information Counter, Check Control Unit and Property Tax Section.
- Installed an updated property tax bill CD-ROM for fiscal years 1993 through 1998 allowing staff to print prior tax bills without the use of microfiche machines.
- Started in the development of MS Access database application customized to the individual section's needs.
- Started in the process of the procurement for an ID badge system in coordination with Cashiering and Property/License Sections. This will allow digital capture of photographs and signature and maintain a secure database of cardholder information, also the ability of encoding magnetic stripes, barcodes and smart chips.

PROPERTY TAX & LICENSE SECTION

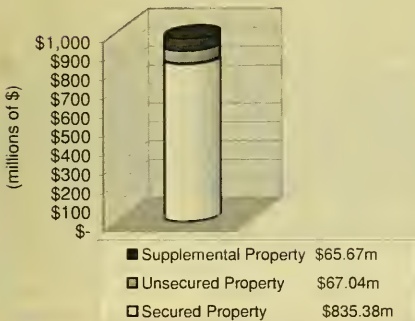


THE PROPERTY TAX & LICENSE SECTION bills, collects, records, and reports payments of secured and unsecured property taxes and special assessments as well as business license fees and permits. The three major units of this division are Real Estate, Tax Redemption, and Business License.

REAL ESTATE UNIT

The Real Estate Unit processes tax bills for secured and unsecured property taxes, including escape and supplemental tax bills, and provides resolution of issues involving property tax to the public in person, over the telephone, and by correspondence. It also establishes and records four-year installment payment plans for secured and unsecured escape assessments for all prior fiscal years. Additionally, this unit collects various special assessments placed on secured property tax bills, including more than 57,000 rent board fees, approximately 31,000 apartment house fees, and more than 800 hotel license fees. The Real Estate unit is responsible for processing refund requests for overpayments and duplicate payments of property taxes and business license fees.

**PROPERTY TAX COLLECTIONS
FY 2000-01**
(see chart p. 34)



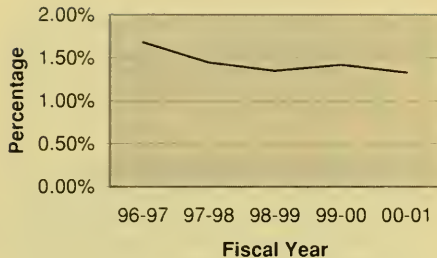
Total Property Tax Collections = \$968.09m

MISSION:

The Property Tax & License Section strives to serve the general public by providing them with timely and accurate property tax and business license information in a manner that is fair, legal, and courteous.

In fulfilling this mission, we will meet our responsibilities and preserve high levels of customer satisfaction.

SECURED PROPERTY TAX DELINQUENCY RATE



Secured Property Taxes

During Fiscal Year 2000-01, more than 380,000 property tax and license fee payments totaling over \$973 million in tax revenues were processed. The collection of property taxes increased by over \$106.5 million or more than 12.3% as compared to the previous fiscal year.

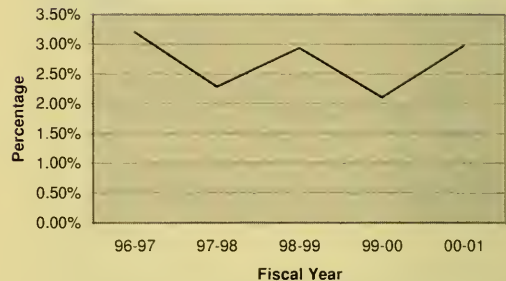
In FY 1999-00, implementation of Phase III (EZ-TAXPP) took place, and enhancements and modifications of its system continued throughout FY 2000-01. There were a number of problems associated with the linking of the new system and the mainframe where the property tax database resides. Despite the problems, the Property Tax Section was still able to reduce the secured property tax delinquency rate to 1.33%, a historically low rate.

Unsecured Property Taxes

More than 32,000 regular and delinquent unsecured property tax payments were processed during Fiscal Year 2000-01. Revenue collection for unsecured property taxes during this period decreased by \$6,352,330 or about 8.6 percent compared to last fiscal year's collection. The decrease in revenue collection was largely due to a reduction in the assessment value for Viacom Cablevision and SF Shopping Center for several past fiscal years that resulted in large refunds. The Unsecured Property Tax

delinquency rate increased slightly to 2.98% as compared to 2.11% a year ago. Unsecured property tax revenue collection tends to follow the state's economic fortunes. Thus, the decrease in revenue appears to show the declining economy has left many businesses in poor financial condition.

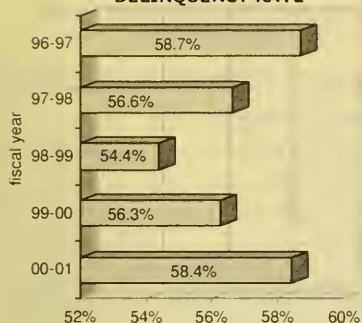
UNSECURED PROPERTY TAX DELINQUENCY RATE



TAX REDEMPTION BUREAU

The Tax Redemption Bureau processes and computes payments of prior years' delinquent secured property taxes. It also maintains complete records on taxes being paid under five-year installment payment plans. In compliance with State law, each year this unit prepares a list of properties that have become tax-defaulted more than five years (and therefore are subject to the Tax Collector's Power to Sell) and records a "Notice of Power to Sell Tax-Defaulted Property" for each of these properties. This unit is also responsible for publishing several notices throughout the year in a newspaper of general circulation as required by State law. Also, the Unit must attempt to sell tax-defaulted properties at either public auction or sealed bid within four years after the property becomes subject to power to sell.

TAX REDEMPTION DELINQUENCY RATE



BUSINESS LICENSE UNIT

The Business License unit bills, collects, records, and reports business license fees mandated by the San Francisco Business and Tax Regulations Code. All business license fees that are delinquent after 90 days are promptly reported to the regulatory departments for collection. During Fiscal Year 2000-01, this unit processed 26,245 business license accounts for the Public Health, Police, and Fire departments as well as dog licenses for the Department of Animal Care and Control totaling more than \$5.7 million, a 3% increase from last fiscal year.

BUSINESS LICENSE FEES STATISTICAL ACTIVITY FY 2000-01

Type of Collection	FY 2000-2001	
	Amount	No. of Items
Public Works	-	-
Police	\$1,297,475.00	11,352
Public Health	\$3,884,010.00	7,731
Fire	\$446,675.00	2,415
Dog Licenses	\$75,443.00	4,747
DPW Surcharge	-	-
Total	\$5,703,603.00	26,245

HIGHLIGHTS OF CURRENT ACCOMPLISHMENTS AND ACTIVITIES

1. The Property Tax/License Section, in conjunction with the City payment staff and Bay Area Interactive (BAI), was able to provide on-line payment of property tax bills on the Internet. Beginning FY 2000-01, taxpayers have been able to look up their tax bills on the Internet, request a duplicate tax bill or pay their tax bill by credit cards or E-Checks. The business processes of property taxes and business license fees are also periodically updated on the department's web site in order to provide better services to the public.
2. 1,355 transactions, with a total collected revenue amount of \$172,731,125, were received by Electronic Fund Transfer (EFT) during FY 2000-01. With EFT, both mailing and check clearing times are eliminated. Therefore, funds are available to the county on the day a transaction is initiated. Taxpayers with an aggregate payment of fifty thousand dollars (\$50,000) or more on the two most recent regular installments on the secured roll are required to pay their property taxes by EFT.

**GOALS & OBJECTIVES FOR FISCAL
YEAR 2001-2002**

- The Property Tax & License Section's first priority is to work closely with the Office of the Assessor-Recorder in an effort to develop and redesign the AS400 Impact system for the purpose of assessing, billing and collecting secured and unsecured property taxes. This new AS400 system is expected to increase efficiency and productivity in most areas of the tax billing, collection and distribution process.
- A public auction sale of tax-defaulted properties or timeshare estates and vacant lots that are subject to the Tax Collector's Power to Sell will be conducted sometime in April 2002 in order to recuperate lost taxes from non-payment.
- The Property/Tax License Section will be working closely with the Office of the Assessor-Recorder and the Controller to cancel incorrect property tax bills in Redemption in order to reduce the number of complaints from taxpayers
- and reduce the unpaid amount.

**PROPERTY TAX COLLECTIONS
FY 2000-01**

Secured Property	
Current Year	\$ 820,178,343
Prior Years	
Redemption	15,202,613
TOTAL	835,380,956
Unsecured Property	
Prepaid	1,120,474
Current Year	77,588,908
Prior Years	-11,664,630
*TOTAL	67,044,752
Supplemental	
Secured	63,974,829
Unsecured	1,692,063
TOTAL	65,666,892
	\$ 968,092,600

* includes prepayments



HON. SUSAN LEAL, TREASURER

In November 1997, Susan Leal was elected Treasurer of the City and County of San Francisco. As Treasurer, she serves as the City's banker, investment officer and tax collector. Treasurer Leal has established the following priorities for the Office of the Treasurer & Tax Collector:

- Provide superior customer service;
- Achieve efficiencies and improve revenue collections;
- Improve cash management and seek the best return on the City's investment with the lowest risk.



Treasurer Leal first joined city government in June 1993 when she was appointed to the San Francisco Board of Supervisors. The following year she won a four-year term, receiving over 100,000 votes in a citywide election. While serving on the eleven-member Board, Treasurer Leal chaired the Finance Committee where she was responsible for preparing and balancing the City's \$3.4 billion budget.

Prior to her years in elected office, Treasurer Leal served as Counsel to the U.S. House Energy and Commerce Committee's Subcommittee on Oversight and Investigations. In this capacity, she directed numerous drug safety and consumer protection investigations of the Food and Drug Administration. She also worked closely with then-Congressman Al Gore uncovering fraud and waste in public and private health care. In 1982, she returned to California in the capacity of Senior Consultant to the State Assembly's Committee on Ways and Means. There she was responsible for drafting the State Assembly's health budget. In 1984, Ms. Leal became vice president of a nationally recognized company that assists corporations and unions throughout the U.S. in health care management.

A San Francisco native, Treasurer Leal graduated from Presentation High School in 1967 and the University of California at Berkeley in 1971, where she earned an Economics degree. She received her law degree from U.C. Berkeley's Boalt Hall in 1975.

GEORGE PUTRIS, TAX ADMINISTRATOR

George Putris has spent his career specializing in taxation law. Through both private practice and public service, he has gained extensive experience in the areas of federal income taxation, property taxation, state and local taxation, tax litigation, municipal finance, tax-exempt organizations and tax legislation. Immediately prior to undertaking the position of Tax Administrator, Mr. Putris practiced law in the San Francisco City Attorney's Office, where, as Deputy City Attorney, he served primarily as counsel to the Office of the Treasurer & Tax Collector.



Mr. Putris places a high value on efficiency, simplicity and fairness in the administration of the various tax services and regulatory functions performed by the Office of the Treasurer & Tax Collector. He believes that sound tax policy encourages voluntary compliance with the law, and that sound tax administration enhances the City's attractiveness as a place for businesses to locate their facilities and jobs. He is committed to revitalizing the policies and procedures that enable taxpayers to take full advantage of the services offered by the Treasurer & Tax Collector's Office.

Mr. Putris is a graduate of the Martin Luther King, Jr. School of Law at the University of California, Davis. He also has an LL.M. degree in Taxation Law from New York University. He received his B.A. degree from the University of California, Berkeley. Mr. Putris is a member of the California Bar Association.

JAY BANFIELD, CHIEF ASSISTANT TREASURER

As Chief Assistant Treasurer, Jay Banfield oversees vital operations of the Office of the Treasurer & Tax Collector, including the Investment Division and Cashiering Section, and compiles the Department's budget. He also manages the City Payment Center, a convenient central location in City Hall for many payments and other transactions. Mr. Banfield holds a particular interest in e-government, managing the launch of the CityServices online transaction center.



Mr. Banfield worked as a legislative assistant to Treasurer Leal when she chaired the Finance Committee of the Board of Supervisors, which oversees the budget for the City and County. Prior to joining municipal government, he was a manager at Oracle Corporation, focusing on federal, state, and local governments. He holds a B.A. from Stanford University and a Master of Public Policy degree from the University of California Berkeley.

Active in the community, Mr. Banfield has served on the Board of Directors for local organizations including Volunteers for Youth, Oracle Volunteers and Berkeley Dispute Resolution Service. He lives in San Francisco with his wife and two children.

CONTACTS

SENIOR STAFF

Treasurer	Susan Leal
Tax Administrator	George Putris
Chief Assistant Treasurer	Jay Banfield
Deputy Tax Administrator	Vacant
Chief Investment Officer	Dan Daly
Special Assistant to the Treasurer	Deb Dubin
Section Managers:	
Accounting Section	Manuel Valle
Administration Section	Gail
Hemenway	
Bureau of Delinquent Revenue/ Investigations	Florence Mar
Business Tax Section	Mark Buckley
Cashiering Section	
Remittance & Mail Operations	Sonia Martinez
Banking Operations, Passport, & FAMIS Services	Charles Huff
Legal Section	Robert Fletcher
Property Tax & License Section	Francis Nguyen



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treasurer_taxcollector@ci.sf.ca.us
<http://www.sfgov.org/tax>
[http:// CityServices.sfgov.org](http://CityServices.sfgov.org)

Taxpayer Assistance: (415) 554-4400

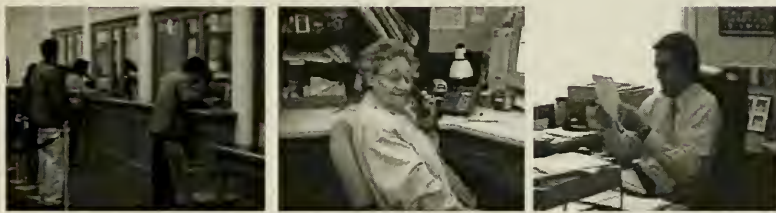


San Francisco



TREASURER & Tax Collector

CITY AND COUNTY OF SAN FRANCISCO



Annual Report Fiscal Year 2001-2002 Hon. Susan Leal, Treasurer

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It is my pleasure to present the Annual Report for Fiscal Year 2001-02. The past year has been one of significant change. As a country, we witnessed the tragedy of September 11 and its aftermath. From the Federal, to the State to the local level, we have experienced the burst of the dot-com bubble and the economic downturn that followed. San Francisco especially felt the affects that led to unemployment, budget cuts and fiscal uncertainty.

Even during these difficult times, San Francisco continues to achieve a yield on the investments of our pooled funds that surpasses our peers such as Los Angeles, San Diego and Sacramento.

In addition, our Bureau of Delinquent Revenue did an outstanding job and increased its collections efforts by more than 11%, to over \$54 million.

The Treasurer's office strives to maintain the highest level of customer service. We understand that the success of small businesses is paramount for our city. Thus, we consolidated the annual registration renewal and filing deadlines in an effort to simplify the filing process.

These are a few of the accomplishments highlighted in the 2001-02 Annual Report. For more information on the office of the Treasurer & Tax Collector please visit our web page at www.sfgov.org/tax, email me at treasurer.taxcollector@sfgov.org, come to the City Payment Center City Hall Room 140, write to me (1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102), or call my office (415.554.4478) if you have questions or comments. Your feedback is essential to the success of my department and I look forward to hearing from you.

Susan Leal
Treasurer





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QUICK REFERENCE

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This report covers the fiscal year from July 1, 2001, through June 30, 2002, and contains information from each operating section with statistical data on performance.

The report is available for download at: <http://www.sfgov.org/tax/annualreport>

STATEMENT OF PURPOSE

Treasurer Susan Leal and her staff serve as the banker, tax collector, collection agent, and investment officer for the government of San Francisco, the only combined City and County in the State of California. The Treasurer, an elective office created by the City Charter in 1850, supervises a department of ten sections that receives over \$10.6 billion and disburses over \$9.67 billion annually.

The *mission* of the Office of the Treasurer & Tax Collector is to:

- Facilitate voluntary compliance with the tax laws of the City and County of San Francisco by simplifying all processes and procedures and by providing efficient and customer-friendly service.
- Collect all taxes and fees due to the City.
- Provide safekeeping for all City funds, prudently investing the monies to achieve maximum yield with low risk and high liquidity.

The Office of the Treasurer & Tax Collector serves two broadly-defined functions for the residents of the City and County of San Francisco:

1. The collection of taxes and other city revenue.

Through the mail, in person at the City Payment Center, and now through the Internet, the Department collects taxes and other obligations owed to the City, including business taxes, property taxes, and fees for various business licenses and permits that are required by the Municipal Code. Tax Collection units collect over \$2 billion annually in property taxes, business taxes, and license fees. Additionally, the Department investigates and collects unreported and delinquent tax obligations. Through the City Payment Center and the Bureau of Delinquent Revenue, the Department contracts to collect current and delinquent obligations owed to other City Departments, such as Water Dept. and hospital bills.

2. The oversight of monies before disbursement.

The Treasurer manages all city funds in order to gain the maximum return with low risk and high liquidity, including investing the City's portfolio of pooled funds. The Treasurer works with all City departments to ensure that funds are received, deposited, and reconciled as quickly and accurately as possible, so as to provide maximum interest and investment returns for the people of San Francisco. The Department administers and monitors the bank accounts and wire transactions used by all City agencies and contracts with banks for their services. She also disburses payments on the City's General Obligation municipal bonds.



-
- **Consolidation of Renewal and Annual Filing:** During FY 2000-01, the Board of Supervisors approved legislation to consolidate the annual business registration and business tax filing deadlines. The consolidation will be implemented in FY 2002-03.
 - **Crackdown on Parking Lot Scofflaws:** Despite the dramatic downturn in the economy most noted by the statewide decline in hotel and sales tax revenues, the Treasurer's parking task force has maintained parking tax revenues near their peak through comprehensive efforts to identify tax scofflaws, conduct audits and investigations and enforce collections efforts.
 - **Yield Remains High:** The annual yield of San Francisco pooled funds, managed by the Treasurer, was 4.139%, a remarkably high return in a financial market that continues to fluctuate dramatically.
 - **Delinquent Revenue Collections Rise:** Bureau of Delinquent Revenue collections increased more than 11% over the previous fiscal year, to over \$54 million. The most revenue generated was in the area of Business Tax related collections at \$36,223,035.
 - **Property Tax Delinquencies Decline:** Secured Property Tax delinquency rate for FY 2001-02 remained historically low at a rate of 1.46%.
 - **Business Tax System Converting to Oracle Software:** Initiated conversion of the business tax software to a more comprehensive and functional Oracle database. The system is an expeditious and thorough program through which the department maintains all business tax records. The conversion, which is expected to increase efficiency, will be completed in FY 2002-03.
 - **San Francisco Business Information (sfbizinfo):** Scheduled for launch in early 2003, San Francisco Business Information will provide a central location for businesses to access the full range of available public and private business resources. This includes, but is not limited to, information regarding tax incentives, training and access to capital.

San Francisco



TREASURER
& Tax Collector

SECTIONS

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CITY PAYMENT CENTER



The City Payment Center provides a consolidated information and payment facility where taxpayers conduct a multitude of City transactions. Emphasis is placed on providing a user-friendly environment with superior levels of customer service. The City Payment Center staff provides guidance and direction regarding all City transactions, tax ordinances and outstanding City obligations. The Center also houses the Bay Area's leading passport acceptance facility.

The City Payment Center was created to:

1. Collect and process all City payments received from taxpayers by the Treasurer & Tax Collector's Office;
2. Provide substantive information and assistance to taxpayers, other members of the public, and City departments;
3. Promote a positive environment for taxpayers and ensure that the Payment Center is regarded as a service-oriented unit.

The City Payment Center consists of four major sections: Taxpayer Assistance, Passport Services, the Information Counter and Cashiering.



MISSION:

To provide tax information effectively and expediently to taxpayers and other member of the public and city departments; to promote and perpetuate outstanding public relations as a service oriented unit; and to serve as the Office of the Treasurer & Tax Collector's primary public contact unit.

TAXPAYER ASSISTANCE

The Taxpayer Assistance (TPA) section, located in the City Payment Center, provides efficient and courteous help to San Francisco taxpayers via the phone and in person. The staff is cross-trained on all City tax procedures and places strong emphasis on customer service. This section embodies the Department's philosophy that customers' needs are a priority and that the public should receive quality service and accurate information.

During FY 2001-02, approximately 26,180 taxpayers worked with TPA staff regarding their questions about business taxes, property taxes, business licenses/permits and general inquiries regarding starting a business.

During the fiscal year, TPA registered 9,805 new businesses, a 9% decrease as compared to last fiscal year. This percentage is directly related to the state of the economy. In total, business registrations resulted in the collection of \$728,404 in registration fees and \$3.4 million in business taxes, penalties and interest.

In addition, the phone bank received more than 71,500 calls. According to our customer surveys, TPA received a 96% "Excellent" rating on its overall service.

To further assist taxpayers, The Treasurer's office houses an Automated Teller Machine (ATM), operated by the San Francisco Federal Credit Union. It is accessible to the visually impaired and does *not* impose surcharges on customers.



PASSPORT SERVICES

The Treasurer's U.S. Passport Application Acceptance facility opened in Fiscal Year 1999-00. Serving as authorized passport acceptance agents, department staff processes

U.S. passport applications and serves as an information resource for the public regarding passport issuance and legislation. The staff's excellent service has quickly made this the premier Passport Acceptance facility in Northern California and the primary referral by the San Francisco Passport Agency for passport services in the Bay Area.

Treasury Passport Services processed 8,969 passport applications in 2001-02, representing a 25% decrease from the previous year. This decline was a direct result of the sharp decrease in travel following the September 11 tragedy. Despite the reduction in travel, the Treasury passport services unit earned \$134,535 in revenue for the City, and simplifies the passport application process for thousands of travelers and new citizens.

SERVICE & INFORMATION COUNTER

Employees who staff the Service & Information Counter are cross-trained in San Francisco's property and business taxes, licenses, city services, passport processing, and other city information. Staff members work with taxpayers to assess their needs and assist or refer them to the appropriate section within the Office of the Treasurer & Tax Collector. Members act as liaisons on behalf of taxpayers with other City and County departments and serve as resources beyond City Hall regarding taxpayer issues.

Staff members also conduct outreach to a variety of community, neighborhood and business organizations, educating the public about local requirements and available City resources.

*"Wow -- best service I've received in a long time, from a public or private agency."
-Customer*

ACCOUNTING SECTION

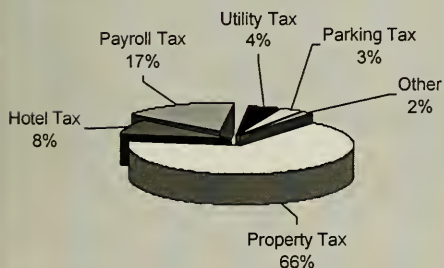


THE ACCOUNTING SECTION'S two primary goals are to provide internal control systems to safeguard the City's assets and to assist the Treasurer in improving office efficiency and productivity.

On a daily basis, this unit provides accounting and support services to the Office of the Treasurer & Tax Collector, performing regular coordination in the reconciliation of cash and bank accounts. The Accounting unit monitors collections, deposits, investments, and other related financial activities that involve cash and securities. Major responsibilities include providing input for the department's budget preparation, expenditure tracking, appropriation payment requests, purchasing, statistical reports, data processing services, and equipment and facilities maintenance. Additionally, this unit handles the reconciliation of business tax credits.

The Accounting team is divided into four subsidiary ledger groups: Real Property Secured and Unsecured, Supplemental Secured and Unsecured, Redemption, and Business Taxes.

**TOTAL RECONCILED COLLECTIONS
FY 2001-02**



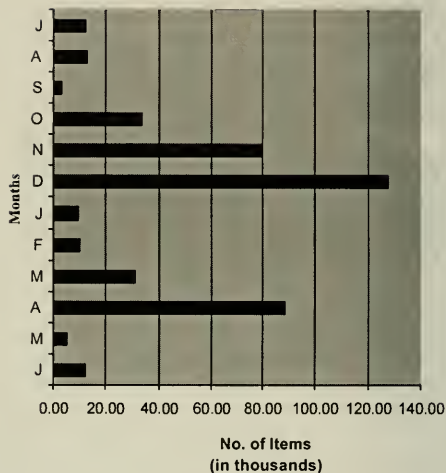
Mission:

To increase accounting efficiency in the Office of the Treasurer & Tax Collector. To serve the public more effectively and to reconcile the posting to individual taxpayers' accounts in an accurate and timely fashion. This includes real estate taxes, business taxes, other taxes, licenses, and all other account receivables under the jurisdiction of the Treasurer.

Highlights of FY 2001-02:

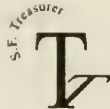
- A total of 427,348 items were reconciled for secured real estate taxes, an increase of .6% (2,662) from last fiscal year.
- The total amount of reconciled dollars increased by \$39.56 million or 2.5% from last fiscal year.
- Staff was cross-trained on different systems to maximize flexibility and optimize productivity.

**ACCOUNTING SECTION
MONTHLY RECONCILIATIONS
FY 2001-02**

**TOTAL RECONCILED COLLECTIONS**

Collection Type	2001-02	2000-01
Property Tax	\$1,086,670,447	\$966,894,368
Payroll Tax	272,396,592	254,937,220
Gross Receipts Tax	837,857	42,003,291
Business Reg./License	6,730,207	10,022,932
Hotel Tax	134,579,467	190,114,192
Utility Users Tax	72,030,775	69,384,542
Parking Tax	50,697,808	52,022,688
Emergency Response Fees	15,805,498	14,327,070
Stadium Tax	2,392,912	2,866,736
Roofers' Fees	12,210	12,510
TOTAL	\$ 1,642,153,773	\$ 1,602,585,549

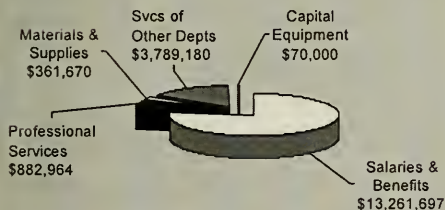
ADMINISTRATION SECTION



THE ADMINISTRATION SECTION provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector. These services include personnel, payroll, purchasing, information services, departmental accounting, budget preparation, and general administrative services.

The section also responds to requests for ad-hoc reports for the Mayor, Board of Supervisors, citizen interest groups and individuals, and other City departments.

FINAL BUDGET OFFICE OF THE TREASURER & TAX COLLECTOR FISCAL YEAR 2001-02



BUDGETED EXP. :	\$18,365,511
LESS RECOVERIES FROM WORK ORDERS:	1,347,161
TOTAL BUDGET ALLOCATION:	\$17,018,350

MISSION:

To provide such effective support services throughout the Office of the Treasurer & Tax Collector that the Department is recognized as the most efficient, knowledgeable and helpful revenue-producing organization in the State of California.

• Payroll

The Payroll Clerk processes daily attendance data and prepares and submits bi-weekly time rolls.

• Budget Management

A priority for the administration section is the preparation of the annual departmental budget request. The department's budget request is determined based on the needs of the nine separate sections and is prepared in consultation with designated managers and senior management. The final budget appropriation for FY 01-02 totaled \$17.01 million.

• Personnel Management

Administration's Personnel staff handles the recruitment and hiring of personnel and assists managers in addressing disciplinary matters in a fair and equitable manner. Staff also monitors the application of entitlement programs that have been enacted at the federal and state level. Examples of these programs include: the Family Medical Leave Act [FMLA], Americans with Disabilities Act [ADA] and Workers Compensation [WC].

• Purchasing and Supply

Administration staff provides support to all sections by ordering office supplies, equipment,

and other minor furnishings, arranging for maintenance of copiers and other office equipment, and managing an inventory of approximately 130 different forms and statements.

• Departmental Accounting

The Administration Section's Principal Accountant is responsible for accounts payable and monitors and analyzes spending patterns and historical data for budget preparation. The Principal Accountant also serves as the Department's contact for the FAMIS, ADPICS and BPREP online systems.

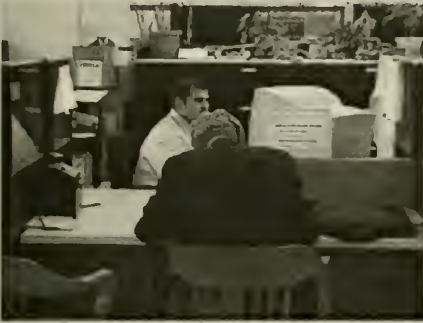
• Information Systems

The staff is responsible for maintaining all telecommunications and data processing activities for the Treasurer's office. The staff also manages the computer systems, servers, databases and workstations for approximately 200 employees. Specialized systems maintained by this group support efforts to collect delinquent accounts, register businesses, collect business and property taxes, and perform cashing and remittance processing functions. Staff installs computers, troubleshoots performance problems and provides in-house training for new users.

"I am always impressed by the helpfulness and courtesy of this staff."

-Customer

BUREAU OF DELINQUENT REVENUE/INVESTIGATIONS



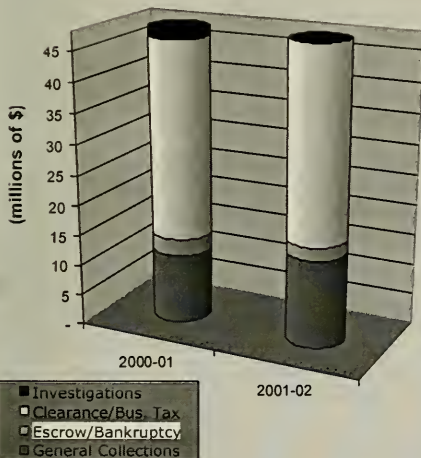
THE BUREAU OF DELINQUENT REVENUE

(BDR) is the official collection arm of the City and County of San Francisco. It is authorized to collect all accounts receivable over \$300 and at least 90 days overdue. This pertains to City and County departments including: San Francisco General Hospital, Laguna Honda Hospital, The Department of Public Works, the City Attorney, the Fire Department, the Mayor's Office of Community Development, the Water Department, among others.

BDR uses the Columbia Ultimate Business Systems (CUBS) automated collection software to ensure that all accounts are handled in both a timely and legal manner. The Bureau's objectives are to work with customers to collect payments consistent with their ability to repay debt while maintaining client satisfaction.

Additionally, BDR remains updated on collection and system techniques and employees are members of both the California Municipal Business Tax Association and the California Revenue Officers Association. The staff strives to remain educated about current industry trends and attends annual conferences.

BDR COLLECTIONS



TOTAL 2000-01: \$49,182,010
TOTAL 2001-02: \$54,882,577

MISSION:

To serve the City and County of San Francisco with expertise in all collection matters; to recover debts accrued; to enforce the local ordinances and achieve compliance therewith. Additionally, to balance this commitment with providing efficient, effective and equitable service and support to the public and business communities so that they may accept their responsibilities.

*"Friendly, caring interaction made the difficult parts tolerable."
-Customer*

BDR STAFF IS DIVIDED INTO FIVE UNITS OF WHICH EACH HAS SEPARATE AND DISTINCT ROLES:

GENERAL COLLECTIONS UNIT

The General Collections Unit (formerly the Medical Unit) processes delinquent accounts from various departments. A majority of accounts are referred from San Francisco General and Laguna Honda hospitals. In addition, various accounts are referred from the Department of Public Works, the Mayor's Office, Recreation & Park, and the Department of Elections.

The Collections unit's new clients include: the Water Department, the Mayor's Office of Community Development and the Adult Probation Department.

GENERAL COLLECTIONS UNIT FY 2001-02

SFGH	\$ 12,908,624
Ambulance	270,315
Via Collection Agency	474,510
Laguna Honda	33,343
Water Dept.	20,202
MOCD	42,655
Adult Probation	9,078
Commission	54,620
Other	210,253
TOTAL	\$ 14,023,600

In January 2002, the Office of the Treasurer & Tax Collector began a pilot project in which it collected all moving violation citations issued by the Trial Courts. This venture led to the signing of a contract with the Trial Courts for the ongoing collection of all moving violation citations.

The General Collections Unit has increased its collections for fiscal year 2001-02 to \$14,323,690, a 25.8% increase compared to

ESCROW/BANKRUPTCY UNIT FY 2000-01

Unsec. Prop	\$ 679,252
Supp. Prop.	25,650
Sec. Prop.	711,822
Bus. Tax	447,329
Hotel Tax	-
Parking Tax	-
Utility Users Tax	13,434
Bus. Reg. Fee	73,713
License	31,090
Misc.	130,505
TOTAL	\$ 2,112,795

the 2000-2001 fiscal year collection of \$11,384,427. This increase is the result of restructuring, prioritizing cases where medical liens have been filed, collecting old debts by use of outside collection agencies as well as hiring additional collections officers. In addition, collection officers have increased substantially their efforts to collect from established clients, resulting in a 26.6% increase in collections for San Francisco General Hospital and a 169% increase for Laguna Honda Hospital compared to last fiscal year.

ESCROW/BANKRUPTCY UNIT

The Escrow and Bankruptcy unit researches, compiles data and files claims on outstanding debts owed to the City once escrow or bankruptcy has been filed.

The research phase begins when notices are published or sent to the Escrow Bankruptcy Unit. The Unit then conducts database research. During fiscal year 2001-02, this research led to the successful collection of \$2,112,795. Since claims sent to this section are directly related to the state of the economy, it is not surprising that collections were down 21% from the last fiscal year.

CLEARANCE/BUSINESS TAX UNIT

The Clearance staff works with business owners, the Business Tax and Property Tax Sections to

CLEARANCE UNIT (CONT'D)

either collect or resolve delinquent business-related taxes as well as unsecured personal property taxes. All outcomes are resolved in a manner equitable to both the customer and the City.

In Fiscal Year 2001-02, the Clearance Unit generated \$36,223,035 in collections, an 11.89% increase from the previous year. The section significantly increased its collection of delinquent unsecured personal property taxes by 233.9% as compared to last fiscal year.

INVESTIGATIONS UNIT

The Investigations Unit ensures that taxpayers comply with City and State tax regulations. The unit operates in support of all sections in the Tax Collection Division. Investigations unit is responsible for a wide range of enforcement activities such as surveys, surveillance, small claims filings, post-judgment execution, seizures, summary judgments, FTB Offsets, complicated accounts, citations, business tax and UPP liens and judgment renewals.

There have been significant enhancements to the Investigations unit. Third party tax unit hired new senior investigators, replacing outgoing retirees. At full capacity, the unit has increased its productivity, particularly in the area of surveys. In addition, senior investigators worked closely with the Sheriff's Department on a case that resulted in the collection of approximately \$654,092. Investigators also were critical in discovering evidence that led to a \$2.2 million settlement for the City. For Fiscal Year 2001-02, the unit collected a total of \$2,223,056.

Surveys

The investigators are assigned to systematically research, inspect and interview city businesses with potentially high revenue. Unregistered businesses are currently referred to the Clearance Unit. During fiscal year 2001-02, investigators doubled their business field surveys and found that 22% of businesses surveyed were unregistered. Referrals generated from these surveys contributed to the increase in revenue generation.

CLERICAL UNIT

This sub-unit is responsible for providing all clerical work for the various units of BDR. Clerical staff conducts the initial screening of customers and determine which section or employee would most appropriately address the person's questions. Counter coverage is provided on a rotational basis from Clerical staff. BDR has set a goal so that each clerk is cross-trained to handle and/or assist any unit that needs staff support. During fiscal year 2001-02, the unit screened approximately 19,336 customers in person, a 13% increase from the previous fiscal year. In addition, the requests for Spanish translation services increased by 84%, from 397 to 732 requests.

HIGHLIGHTS OF 2001-02

- Collections during the FY increased over 11% to \$54,882,577.
- Collections increased by 26.6% for San Francisco General Hospital and 169% for Laguna Honda Hospital.
- Investigations doubled its field surveys and discovered that 22% of the businesses surveyed were unregistered.

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BUSINESS TAX SECTION



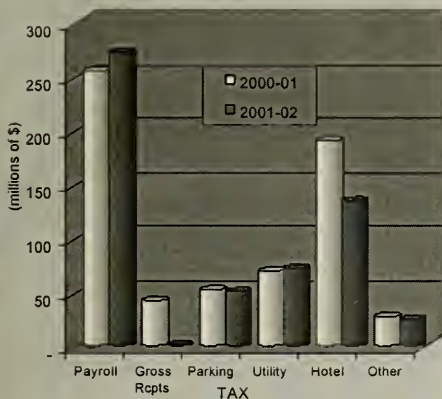
THE BUSINESS TAX SECTION implements and enforces the Business Tax Ordinances for the City and County of San Francisco. The taxes include: Payroll Expense Tax, Parking Tax, Hotel Tax, Utility Users Tax, Roofers' Vehicle Tag fees, Emergency Response Fees, and Stadium Taxes. The Section is comprised of two functional units—the *Audit Unit* and the *Account Services Unit*.

THE AUDIT UNIT

The Audit Unit performs scheduled and unscheduled audits to promote voluntary taxpayer compliance with the City's Business Tax Ordinances. In addition, audits are used to detect the underreporting of taxes.

In FY 2001-02 audit deficiency billings totaled \$5,083,304.

BUSINESS TAX COLLECTIONS



- (see Accounting Section *Total Reconciled Collections*, p. 10)

MISSION:

To implement and enforce the Business Tax Ordinances; to administer these municipal tax provisions to ensure taxpayer compliance through accurate and responsive account maintenance system; to monitor voluntary compliance through a post-audit program; to promote revenue maximization.

Business Tax Board of Review

In FY 2001-02, the Business Tax Board of Review reviewed appeals regarding requests for refunds and payroll expense tax determinations. Out of the 28 cases heard, none resulted in the Board overturning the Tax Administrator's original decision.

ACCOUNT SERVICES UNIT

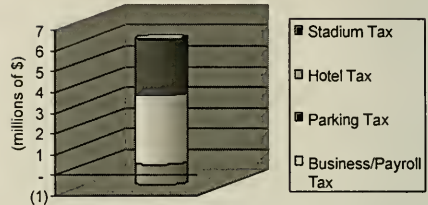
The Account Services Unit maintains taxpayer accounts in the Business Tax System (BTS) and reviews and processes annual, semi-annual and quarterly tax filings. The unit also handles business registration renewals, prepayments and refund requests. The unit troubleshoots all systems-related issues, reviews service requests, recommends action for enhancement, and responds to requests for statistical information.

In FY 2001-02, the Board of Supervisors also approved an ordinance changing the tax exemption filing procedures for small business owners. The ordinance allowed owners with a minimum filing tax liability of less than \$500 not to file an annual Payroll Tax Statement. However, owners were still required to return annually a Payroll Tax Filing Exemption Declaration. In addition, business owners with a tax liability of \$500 to \$2,500 were required to file an annual Payroll Tax Statement to avoid assessment of penalties. Approximately 40,000 of the 76,785 taxpayers who qualified for the Payroll Tax Filing Exemption Declaration filed for exemption.

The Account Services Unit mailed, processed and administered the following tax statements and notices during FY 2001-02:

- **Annual Business Tax Registration Renewal:** In September 2001, 87,322 taxpayers were sent Annual Business Tax Registration Renewal forms. Of these, 60,885 taxpayers renewed their registration certificate, with 804 renewing online at <http://cityservices.sfgov.org>.

AUDIT DEFICIENCY BILLINGS



Total Audit Deficiency Billings = \$5,083,304

- **Payroll Tax Annual Statement:** In January 2002, 79,985 Annual Payroll Tax Statements were mailed to taxpayers for YR 2001. The impact of the tax exemption filing change enabled staff to focus on the processing of the Annual Payroll Tax Statements that had tax payments versus zero payments.
- **Payroll Tax Determination:** In August 2001, 15,764 taxpayers failed to file their 2000 Annual Payroll Tax Statement. Taxpayers were advised to file immediately to avoid additional penalties and collection activity.
- **Quarterly and Semi-Annual Business Payroll Tax Prepayment:** To facilitate and accelerate the total annual collection of tax liability, taxpayers are mailed either quarterly or semi-annual prepayments. Quarterly prepayments are issued to taxpayers whose prior year's payroll tax liabilities exceeded \$50,000. Semi-annual prepayments are issued to taxpayers with tax liabilities between \$2,500 and \$50,000. This year, a total of 9,154 prepayments were mailed.

TAX CREDIT FILINGS

Type of Tax Credit	No. of Firms Filing					Amount Claimed
	1997	1998	1999	2000	2001	2001
Enterprise Zone	8	12	12	8	16	\$ 34,931
New Jobs	217	296	390	554	519	21,468,992
Summer Youth	-	5	3	2	4	243
Garment Mfrs.	62	75	86	77	52	336,909
TOTAL	287	388	491	641	591	\$ 21,841,075

- Quarterly and Monthly Hotel Tax and Parking Tax Prepayment:** In addition to managing the Payroll Tax filings, the Account Services Unit also oversees the Hotel Tax for over 800 hotels and the Parking Tax for approximately 350 parking operators. In FY 2001-02, 2,807 monthly hotel tax prepayments, 2,419 quarterly hotel tax statements, 1,903 monthly parking tax prepayments, and 955 quarterly parking tax statements were filed. In 3rd quarter 2002, the Quarterly Parking Tax Statement will be revised, requiring parking operators to file a separate parking tax statement for each parking location. This will significantly improve the monitoring and tracking of parking tax revenue by parking location.
- Utility Users Tax Monthly Tax Statement:** This year, a new Utility Tax Statement was developed to ensure a uniform filing process for monthly returns. During FY 2001-02, 1,879 Utility Tax Statements were filed.
- Request for Waiver of Penalties:** For the 2001 tax year, the Account Services Unit approved 1,243 requests for waiver of penalties.
- Reinstatement of Small Business Exemption:** During the 2001 tax year, this unit received 32 requests for the Reinstatement of Small Business Exemption. 20 exemptions were approved and 12 denied.
- Requests for Taxpayer Refunds:** In FY 2001-02, Account Services received 1,324 refund requests for various payments. Of this amount, 1,284 were approved and 40 were denied.

OTHER PROJECTS

- Data and Application Migration Project (Business Tax System Replacement Project)**
 In September 1998, DTIS retained a consultant to research the Business Tax functionality requirements, survey other City's business tax systems and examine potential replacement systems. Senior Treasurer/Tax Collector staff surveyed other cities' regarding their business tax systems and researched the possibility of converting the business tax system from IDMS to an Oracle platform. In April 2001, Business Tax staff wrote and issued a Request for Proposal (RFP) for the Data and Application Migration Project to convert to an Oracle database. Work on the conversion began in early December 2001. The new system will be tested during FY 2002-03 and the target completion date for the project is March 2003.
- Repeal of the Gross Receipts Tax:** In April of 2001, the Board of Supervisors passed legislation that repealed the gross receipts tax measure, effective January 1, 2000. The Mayor signed this legislation on May 25, 2001. The legislation required the Tax Collector's Office to notify taxpayers regarding both the gross receipts tax repeal as well as the refund of excess gross receipts tax paid over the payroll expense tax for tax year 2000. 2,565 letters and refund claim forms were sent to taxpayers. 1,467 gross receipts repeal refund claim forms were received, of which 1,344 refund claims were processed for \$13,350,523 and 123 claims were either denied or reduced.

- **Annual Tax Credit Report:** During May of each year, the Tax Collector's Office submits an Annual Tax Credit Report to the Board of Supervisors. For tax year 2001, 591 businesses claimed a total of \$21,841,075 in tax credits.

HIGHLIGHTS OF FY 2001-02

- A contractor was selected for the Data and Application Migration Project. The work to convert the Business Tax System began in FY 2001-02 and the project is expected to be completed by the end of March 2003.
- The Audit Unit billed \$5,083,304 in audit deficiencies.
- On May 25, 2001, the Mayor signed legislation that was approved by the Board of Supervisors to repeal the Gross Receipts Tax, effective January 1, 2000. Staff spent the first half of FY 2001-02 processing the Gross Receipts repeal refunds.

CASHIERING SECTION

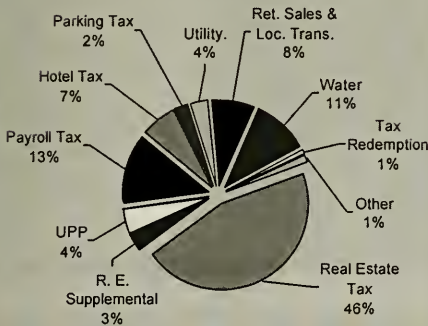


The CASHIERING SECTION receives and processes much of the City's revenue. In FY 1998-99, the Treasury and Tax Collector Cashiering units were restructured and merged under the Chief Assistant Treasurer. While the subunits retained discrete tasks and staff, the merger helped the Remittance Processing Center to handle a significantly higher increase in transactions.

CASHIERING, REMITTANCE & MAIL OPERATIONS

The Cashiering, Remittance & Mail Operations Unit accepts and processes tax payments, registration and license fees. The unit handles payments received through the mail, presented in person, paid by credit card or wire, as well as via the Internet.

CASHIERING COLLECTIONS FY 2001-02



TOTAL COLLECTIONS = \$2,035,104,178
(see chart p. 22)

MISSION:

Cashiering, Remittance & Mail Unit: To collect and process all City payments received from taxpayers, by Office of the Treasurer & Tax Collector in an efficient and expedient manner, and to provide substantive information and assistance to taxpayers and other members of the public.

Banking Operations Unit: To receive, account, process and deposit all payments for taxes, licenses, and other revenues in an efficient and expedient manner; to render high quality service to departments, residents, businesses, and visitors.

The city payment center also sells many public transportation products to the public.

Remittance & Mail Operations is comprised of four areas which work together to process and post all tax payments:

- *The City Payment Center Cashiers* accept payments from taxpayers, sell transit items, distribute commuter checks, receive department deposits, process mail payments and distribute departmental NSF.
- *The Mailroom* staff sorts, opens and verifies all mail for the Office of the Treasurer & Tax Collector, the Water Department and the Port of San Francisco. The staff also distributes mail to all designated units.
- *The Remittance Processing* staff process water bills and other tax payments using high-speed NCR Remittance machines.
- *The Check Control and Research* staff research and process unidentified tax payments in order to produce payment stubs for Delinquent Revenue payments and other tax bills.

For fiscal Year 2001-02, collections increased by \$11.9 million- from \$2.023 billion to \$2.035 billion.

The overall increase represents significant increases in the collection efforts by the Office of the Treasurer & Tax Collector. For example, Secured Property Tax and Unsecured Personal Property increased by 12%, Tax Redemption increased by 24%, and Payroll, Utility Tax, Water Bills, License, and Emergency Response Tax significantly increased as well.

During FY 2001-02, the Mailroom also increased in terms of productivity. The section sorted, opened, and distributed a

total of 1,222,413 pieces of mail to all the different divisions of the Office of the Treasurer & Tax Collector during the year. Approximately 55% of the mail was related to Water Department payments and Real Estate bills constituted 23% of all envelopes processed. The number of articles handled by the Check Control area increased by 36% as compared to last fiscal year. This increase was in direct response to other coordinating department requests to have actual items placed in check control.

**REMITTANCE & MAIL
COLLECTION TOTALS**
(in millions of \$)

Revenue Type	2001-02	2000-01
Sec. Property Tax	\$922.76	\$824.30
Real Estate Supplemental	\$65.26	\$66.70
Property	\$90.17	\$80.70
UPP Supplemental	\$1.50	\$1.70
Business Tax Registration	\$6.72	\$10.00
Business Tax	\$0.82	\$42.00
Payroll	\$271.47	\$254.70
Tax Redemption	\$16.85	\$13.60
Hotel	\$134.49	\$190.10
Parking Tax	\$49.98	\$52.00
Utility Tax	\$71.65	\$69.40
Retail Sales & Local Transit	\$158.42	\$179.10
Water Bills	\$214.05	\$210.10
License	\$6.16	\$5.70
Emergency	\$15.91	\$14.30
Other	\$7.86	\$8.90
TOTAL	\$2,035.10	\$2,023.20

"Keep on doing what you are doing. It was the fastest, most courteous experience I've had at City Hall (and I've been doing this for 25 years)."

-Customer



Accomplishments in FY 2001-02

- With the launch of the City Services Website (<http://CityServices.sfgov.org>) in 1999, services have expanded and led to greater office efficiency. Taxpayers now have the advantage of online payments as well as the ability to download forms and applications directly from the Internet. A total of \$1.4 million of property and business taxes were collected over the Internet for FY 2001-02.
- The Remittance Area has updated the features to its NCR machine. Due to the improvements, productivity has increased in the processing and depositing of checks.
- Improvements to the cashiering system allow cashiers to help customers who only have their properties' block and lot number. Previously, customers with this limited information had to visit other departments to have their property bill printed before a cashier had the opportunity to assist them.
- The San Francisco Cashiering Software System has become a model for other neighboring counties. Teams often tour the facilities to view a demonstration of the state-of-the-art software for possible implementation in their counties.

TREASURY ACCOUNTING AND BANKING SERVICES

The primary objective of the Accounting and Banking Services section is to process and account for the receipt of collections, departmental deposits, and disbursements by the close of the same business day.

Detailed responsibilities of the Accounting and Banking Services Unit include:

- Processing and accounting of all City and County monies and checks, through direct bank deposits, the mail center, electronic fund transfers, federal reserve wires, lockbox operations, credit card transactions, bank adjustments and City Payment Center transactions.
- Payment of all Controller warrants through the Department's Clearinghouse Bank.
- Recording and approving daily cash transactions to FAMIS, the City's internal accounting system.
- Maintaining online FAMIS ledger accounts and reconciling balances to their respective bank account balances. As of June 30, 2002 there are more than fifty-five depository accounts in the Treasurer's Group of accounts.
- Daily input and detailed reconciliation of FAMIS reports.
- Performing safekeeping functions for bequest and lease deposit securities for the City and County.

Tax collection receipts and other City department receipts are electronically received for processing through the NCR remittance processing system. This enables the early deposit of receipts as well as a reduction in bank charges.

All checks received through the Treasurer's receiving window are encoded and microfilmed prior to deposit in the City's bank accounts. A division of duties among the Department's receiving cashiers, vault cashiers, paying

cashiers, reconciliation cashiers, clerks, and accountants ensure internal controls. In addition, the Banking Operations Unit oversees credit card payments to the City for property taxes, traffic fines, towing and storage fees, misdemeanor bails, library fees, and Bureau of Vital Statistics fees.

**TREASURY ACCOUNTING & BANKING SERVICES
TRANSACTION STATISTICS FY 2001-02**

Description	Amount
Departmental Deposits	1,070,374,029
Departmental Deposits at Cashier's window	147,929,472
Wires/Electronic Fund Transfers (EFT)	5,992,833,441
Credit Card Wires	9,979,129
State Checks	470,629,656
Citywide Receipts (not inc. tax collections)	\$ 7,691,745,727
Disbursements	
Citywide Disbursements	4,508,734,927
Disbursement Wire outs	5,159,361,316
Total Citywide Disbursements	\$ 9,668,096,243
Port Lockbox	\$ 22,764,497
Non-Sufficient Funds (NSF)	7,416,240
Passport Applications Processed	8,969
Passport Processing Fee	134,535
Number of Stop Payments Processed	1,514
Number of Checks Deposited	3,458,107
Number of NSF Checks Returned	5,691
Number of NSF Checks Redeared	9,130
Cash & Equity Balance (as of 6/30/02)	\$ 2,976,228,981
Total Safekeeping Item Amt. (6/30/02)	\$ 574,121

HIGHLIGHTS OF FY 2001-02

- The Cashiering unit processed over 3.4 million items with an accuracy rate over 99%, exceeding private industry.
- The Banking Operations Unit reconciled \$1.4mm in payments delivered through the E-Government platform. This option gives greater flexibility in the payment of both property taxes and business taxes for the constituency.

"The staff member who helped is a wonderful representative of the SF Tax Collector. I have resided and voted in SF for 50 years and am grateful for this respectful service."

-Customer

INVESTMENT DIVISION



The INVESTMENT DIVISION administers and controls the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. The staff's goal is to maximize interest income while preserving the liquidity and safety of the principal. The Investment Division has consistently demonstrated prudent portfolio management with excellent results. In Fiscal Year 2001-02, the Treasurer executed \$15.70 billion in investment transactions.

Direct wire lines maintained by major investment houses enabled the Chief Investment Officer to make investments on behalf of the City through rapid, competitive online bidding. The Treasury does not own any stocks or bonds. Instead, the City's accounts (excepting pension funds) are invested in commercial paper, bank notes, banker acceptances, Federal agencies, and U.S. Treasury notes.

Cash Managers

The Cash Managers assist the Chief Investment Officer in administering the cash management and investment policies. The Cash Managers' primary responsibilities include:

- Initiating, analyzing and modifying cash-flow procedures and systems.
- Advising and making recommendations regarding cash management procedures and policies, bank relationships, bond interest and redemption wires, and the bond arbitrage rebate program.

<u>Yield Comparisons</u>	<u>FY 2001-02</u>
S.F. Cty. (Pooled)	4.139%
S.F. Cty (all funds)	3.935%
Avg. 90-day U.S. T-Bills	2.67%
San Diego Cty. (Pooled)	3.78%
Los Angeles Cty. (Pooled)	3.54%
State Local Agency Fund (Pooled)	3.43%

G.O. BONDS ISSUED IN FY 2001-02

	<u>Par Value</u>
Branch Library Improvements - Series 2001E	\$17,665,000
Zoo Facilities - Series 2002A	\$6,210,000
Branch Library Facilities, 2000 - Series 2002B	\$23,135,000
General Obligation Refunding - Series 2002 R-1	\$118,945,000
Settlement Obligation Bonds - Series 2001	\$60,755,000

- Ensuring compliance with regulations that require that all revenues received by City departments are deposited and receipted in a timely manner.
- Managing the bond and coupon redemption program.
- Preparing and issuing Requests for Proposal (RFPs) for various financial services as required by individual departments.
- Co-administering with the Controller the bond arbitrage rebate program.

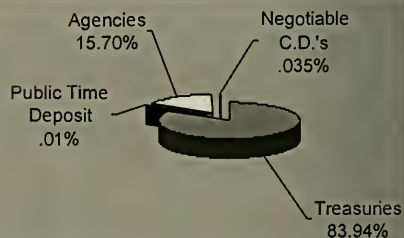
The Investment Division also monitors and invests all City funds that flow through the remittance processing system electronically. All funds are transferred by Fed-wire to the City's primary bank accounts for disbursement by the Controller or for investment by the Treasurer. Additionally, in FY 2001-02, the Investment Division implemented 1,040 outgoing Federal wire transactions valued in excess of \$1.8 billion.

Bond and Coupon Redemption

The Treasurer, through the Investment Division, is responsible for the payment of the City's general obligation bonds, principal and interest. During FY 2001-02, the Treasurer paid \$186,990 in interest and \$1,180,000 in principal on bearer bonds as well as \$57.73 million in interest and \$173.85 million in principal on book entry bonds.

In FY 2001-02, \$226.71 million in general and settlement obligation bonds were issued. The 1993 series ABCD bonds were called on June 15, 2002.

The Investment Division is also responsible for the calculation of arbitrage rebate liability for bond revenue proceeds. Currently, calculations are performed on approximately 30 bond issues. Once the calculations have been performed, the calculation workpapers are forwarded to the Controller's Office for review and verification of any liabilities due and payment of any liability on the fifth year anniversary date.

**INVESTMENTS
OUTSTANDING AS
OF JUNE 30, 2002**

TOTAL PAR VALUE = \$2,844,775,000
TOTAL BOOK VALUE = \$2,818,131,501

- Avg. age of portfolio = 234 days
- Interest Received = \$136,124,999
FY 2001-02
- Total Net Earnings = \$115,345,677
FY 2001-02
- Market Value = \$2,860,329,035
plus fixed assets = \$7,664,697
accrued earnings

LEGAL SECTION



LEGAL SECTION pursues collection litigation on delinquent accounts that fall under the Office of the Treasurer & Tax Collector's jurisdiction. Legal only becomes involved when all other collection efforts have failed. It also responds to legal challenges against Treasurer & Tax Collector claims in bankruptcy, judicial foreclosure and hospital lien cases. In addition, this section serves as the legal advisor on collection-related issues to both the Tax Collector and section supervisors.

Collection Activities

- 5 complaints and answers filed
- 1 abstract and consensual lien recorded

Most delinquent accounts referred to the Legal Section are tax deficiency assessments from the Business Tax Section; the remainder are from the Bureau of Delinquent Revenue (BDR). Civil collection suits are the primary means of enforcing payment of delinquent accounts. However, when appropriate, the unit uses negotiations and other civil creditor procedures in support of voluntary payment agreements negotiated with the debtor. The Legal Section monitors all monthly payment accounts and takes specific action to bring defaulting debtors into compliance. The

LEGAL SECTION ACTIVITY

TYPE OF ACTIVITY	2001-02	2000-01
Complaints & Answers Filed	5	7
Abstracts & Consensual Liens Recorded	1	1
TOTAL DOLLAR RECOVERY	\$2,220,207	\$3,084,312
Concluded Bankruptcy Cases (transferred to BDR)	8	17
BDR Hospital Liens	\$291,921	\$263,531

MISSION:

To provide litigation services in all cases under the Tax Collector's jurisdiction where court action is the only effective collection tool and to provide legal advice on collection-related issues to the Tax Collector and section supervisors.

section's priority is to identify those monthly payment cases where the debtor has defaulted and to take action to promote compliance.

Litigation Activity

- 5 new cases filed - \$827,809
- 1 judgment entered - \$443,369
- 6 cases dismissed - \$627,615

During the last Fiscal Year, the Legal Section, in conjunction with the Bureau of Delinquent Revenue Investigators, brought suit against two parking lot operators known to be underreporting and underpaying parking taxes. In conjunction with the City Attorney's office, the Legal Section's efforts resulted in this office making a global settlement with the parking operators. A total settlement for \$2,050,000 was reached as well as a covenant to comply with all City tax regulations.

BDR/Hospital Cost Recovery Liens

- \$291,921 Collected

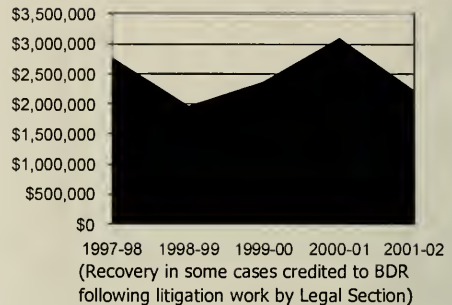
The total collection through liens on hospital patient's third party recoveries increased from the previous fiscal year. This increase was despite the negative impact of Olszewski v. ScrippsHealth. This case eliminated health care provider liens on third party recoveries obtained by Medi-Cal beneficiaries, who comprise a large segment of the San Francisco General Hospital patient population.

Bankruptcy Litigation

- 14 cases referred
- 8 cases successfully completed
- 23 cases in inventory

In this program, also in coordination with BDR, Legal Section performs legal services in the bankruptcy courts on specific bankruptcy files referred by the BDR bankruptcy group. These include responding to debtor objections to Tax Collector creditor claims, improper treatment of taxes in debtor payment plans and lawsuits filed in bankruptcy court against the Tax

LEGAL SECTION TOTAL DOLLAR RECOVERY



Collector. Eight cases were successfully negotiated for a total claim of \$351,214.

Non Litigation Collection Activity

- 5 cases collected in full - \$542,106
- Partial payments from remaining cases - \$733,729

In addition to litigation activity in the courts, Legal Section has initiated action to obtain payment of large tax delinquencies (exceeding \$100,000). The section does so through effective negotiations which lead to tax liens and installment payment agreements.

Legal Advice

Staff attorneys respond to legal inquiries from other Tax Collector Sections throughout the year. The attorneys prepare major legal advice memoranda in addition to providing informal case advice and settlement recommendation.

MANAGEMENT INFORMATION SYSTEMS



THE MANAGEMENT INFORMATION

SYSTEM SECTION was created in July 2000 to provide centralized support services for the entire department's computer and information system needs. This includes procurement of services, hardware, software and data processing supplies, as well as administering the hardware and software maintenance agreement for the different systems. Additionally, the unit is responsible for the system administration of the Department's local area network (LAN) and wide area network (WAN) services.

MIS deployed the Citrix terminal server in June 2001. The server allows remote network connectivity through dialup access and Internet connectivity to the department's resources through a virtual private network (VPN). It is expected that these resources will be expanded to a wireless environment to provide real time information for auditors and investigators conducting fieldwork.

The MIS section coordinates custom programming projects, service requests, production support maintenance and security issues with the Department of Telecommunication and Information Services (DTIS), vendors and consultants.

MIS, in collaboration with the Department's Customer Service Committee, launched the Intranet website TTXCenter in September of 2000. The site facilitates the needs of the department for resource and information sharing.



MISSION

To support the various Information Technology projects of the Department in providing high quality customer service, maximizing revenue collection and providing the necessary management tools and services in increasing staff productivity and efficiency.

This unit also works to implement and maintain access to specialized applications for each department in the Treasurer and Tax Collector's office. Some of these applications include: Cardiff Teleform Information Capture System, Alchemy Imaging, Columbia Ultimate Business System, Netvantage-ITEMAGE, Anacomp-Alva, Timeslip, Compulaw, SmartLaser 2000, MAPINFO, EPISUITE Pro. MIS continually works to build a network of resources that meets the needs of the department, taxpayers and on-line customers.

Coordinates Services with State and Other City Departments

The wide area connection (WAN) through DTIS and other city departments ensures the highest reliability and interoperability of our systems. The department use of Rumba Office provides interfaces to the IBM Mainframe, UNIX VAX, and AS/400 for all critical and confidential records and information pertaining to Secured and Unsecured property taxes, business licenses and taxes and patient information.

Highlights for FY 2001-02

- Completed the successful migration of the Department's CMail to the new city enterprise Lotus notes/Domino Email system.
- As of July 1, 2002, the Office of the Treasurer & Tax Collector became the official site for issuance of Resident Cards for San Francisco and Pacifica residents wanting to use San Francisco's golf facilities.
- Installed Alva-Anacomp, a paperless program for the payroll section that provides immediate access to payroll reports. Reports are stored on CD-Rom from the Controller's PPSD unit, eliminating wasteful and cumbersome computer printouts.
- Implemented an ID card badge system for the taxicab drivers (A Card) in coordination with the Cashiering and Property Tax/Licensing section.
- Upgraded the Legal Section Network server to a Windows 2000 server that increased processor speed and storage capability.
- Expanded the e-government cashiering interface application for online property tax payment and inquiries, business registration renewals, and business tax statement filings.
- Installed an updated property tax bill CD-ROM for fiscal years 1993 through 2001 that allowed staff to print past tax bills without microfiche machines.
- Developed MS Access database application for tracking passport applications and parking bonds received.

PROPERTY TAX & LICENSE SECTION



THE PROPERTY TAX & LICENSE SECTION

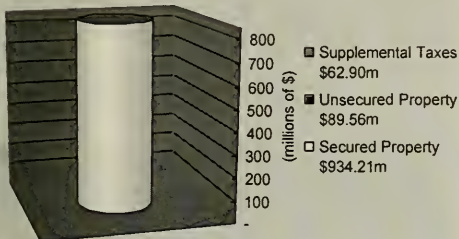
handles the billing, collection, recording and reporting of payments for secured and unsecured property taxes, as well as special assessments. This section also administers special licenses and permits related to specific businesses. The three major units of this division are Real Estate, Tax Redemption and Business License.

REAL ESTATE UNIT

The Real Estate Unit processes tax bills for secured taxes and resolves the public's property tax issues via the telephone, in person and through correspondence. It also establishes and records four-year installment payment plans for secured and unsecured escape assessments for all prior fiscal years. The Real Estate unit processes refund requests for overpayments and duplicate payments of property taxes and business license fees. In addition, the unit collects various special assessments placed on secured property tax bills including over 57,000 rent board fees, approximately 31,000 apartment house fees and more than 800 hotel license fees.

PROPERTY TAX COLLECTIONS

FY 2001-02
(see chart p. 34)



Total Property Tax Collections = \$1.086 billion

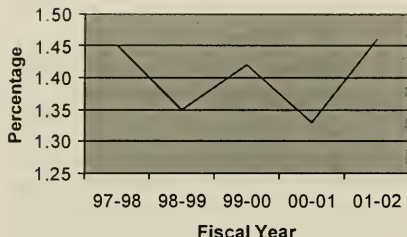
MISSION:

The Property Tax & License Section strives to serve the general public by providing it with timely and accurate property tax and business license information in a fair, legal, and courteous manner.

In fulfilling this mission, we will meet our responsibilities and preserve high levels of customer satisfaction.

*"This was great! I was in and out in less than 5 minutes.
I wish every government agency was so helpful and efficient."
-Customer*

SECURED PROPERTY TAX DELINQUENCY RATE



Secured Property Taxes

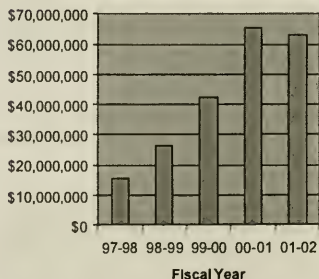
During Fiscal Year 2001-02, property tax revenue collection increased by \$118.5 million or 13% as compared to the last fiscal year.

In FY 1999-00, implementation of Phase III (EZ-TAXPP) took place, and system enhancements and modifications continue through this year. Setbacks with the system have delayed the pro-rating process of supplemental and escape bills. However, the Property Tax Section has maintained a remarkably low delinquency rate of 1.46%, ranking San Francisco 8 out of the 58 counties in terms of the lowest delinquency rates.

Supplemental Property Taxes

Secured supplemental tax revenue collection for fiscal year 2001-02 remains high due to consistently low mortgage rates. These rates contributed to a strong housing economy and the completion of several new construction projects.

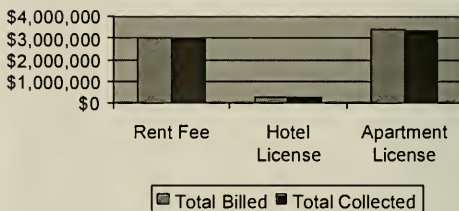
SUPPLEMENTAL PROPERTY TAX REVENUE COLLECTION



Special Assessments

For efficiency and effectiveness, collection of apartment and hotel license fees as well as rent board fees are incorporated into the Secured Property Tax Bills. Eliminating the excess mailings reduces departmental costs and results in savings for the City. It also contributes to the exceptionally low delinquency rate of less than 1 percent for special assessments.

SPECIAL ASSESSMENT

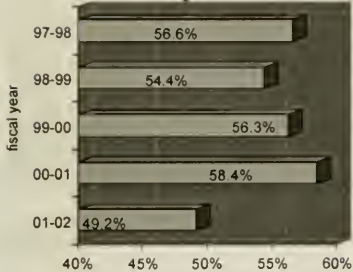


Tax Redemption Bureau

The Tax Redemption Bureau processes and computes prior years' delinquent secured property tax payments. It also maintains records on taxes being paid on a five-year installment plan. Annually, in compliance with State law, the unit prepares a list of properties in tax-default for more than five years. These properties are subject to the Tax Collector's Power to Sell and the unit records a "Notice of Power to Sell Tax-Defaulted Property" for each of these properties. These notices are posted throughout the year in newspapers of general circulation. The Unit must attempt to sell these tax-defaulted properties at either public auctions or through sealed bids within four years after the property is subject to the Power to Sell. This fiscal year there was a sharp decrease in the redemption delinquency rate. This was due largely to the cancellation of incorrect assessments made on several secured property tax enrollments.

PROPERTY TAX COLLECTIONS
FY 2001-02

TAX REDEMPTION
DELINQUENCY RATE



Business License Unit

The Business License unit handles the billing, collecting, recording, and reporting of business license fees as mandated by the San Francisco Municipal Code, Business and Tax Regulations Code. All business license fees that are delinquent for 90 days are reported to the regulatory departments for collection. During Fiscal Year 2001-02, this unit processed 25,304 business license accounts for the Departments of Public Health, Police, and Fire as well as numerous dog licenses for the Department of Animal Care and Control. These licenses resulted in more than \$6.16 million in revenue, an 8% increase from last fiscal year.

BUSINESS LICENSE FEES
STATISTICAL ACTIVITY FY 2001-02

Type of Collection	FY 2001-2002	
	Amount	No. of Items
Police	\$1,255,391.00	10,853
Public Health	\$4,362,281.00	7,756
Fire	\$480,094.00	2,643
Dog Licenses	\$64,416.00	4,052
DPW Surcharge	-	-
Total	\$6,162,182.00	25,304

Secured Property	
Current Year	\$916,283,880
Prior Years	
Redemption	17,927,425
TOTAL	934,211,305
Unsecured Property	
Prepaid	613,320
Current Year	91,222,814
Prior Years	-2,278,505
TOTAL	89,557,629
Supplemental	
Secured	59,685,730
Unsecured	3,215,783
TOTAL	62,901,513
TOTAL COLLECTIONS	\$ 1,086,670,447

Highlights Of Current
Accomplishments And Activities

- On April 26th, 2002, the Property Tax/License Section conducted a successful public auction of secured real properties that were subject to the Tax Collector's "Power to Sell". The purpose of offering tax-defaulted property at auction is to collect unpaid taxes and to convey the property to a responsible owner. Of the 92 parcels offered at auction, 8 were removed for reasons such as bankruptcy or probate, 54 were redeemed prior to the auction and 30 were sold. Revenue earned from this auction was \$766,704.
- A total of 180,000 secured property tax bills were mailed out by October 16, 2002, two weeks ahead of the state scheduled deadline. 8,000 requests for overpayment refunds of property taxes and business license fees were processed within 30 days, reducing the amount of paid interest. In addition, 300 written requests for waiver of delinquent penalties were reviewed and replied to within 30 days of receipt.
- The Property Tax Section reduced the percentage of unpaid redemption files to under 50%.



SUSAN LEAL, TREASURER

In November 2001, Susan Leal was re-elected to her second term as Treasurer of the City and County of San Francisco, capturing 87% of the vote. As Treasurer, Susan serves as the City's banker and chief investment officer. Her duties as Treasurer also include managing all tax and revenue collection for San Francisco.

Since taking office in 1998, Treasurer Leal instituted a number of programs and operational improvements that have significantly increased tax collection rates. These include outreach efforts to individual citizens, business owners and non-profit organizations as well as crackdowns on delinquent and fraudulent taxpayers. Treasurer Leal has achieved a 91% increase in delinquent tax collection, representing more than \$26 million in additional revenue for the City.

Treasurer Leal initiated San Francisco's first-ever socially responsible investment policy that has consistently achieved a rate of return that is highest among its peers.

Treasurer Leal has also made many innovative improvements to customer service including, introducing the City Payment Center, a one-stop shop for City transactions such as transit passes, water bills, and passports; spearheading the City's e-commerce initiative which was named one of the top e-government projects nationwide; and launching the nation's first audio ATM for the visually impaired.

Susan Leal first joined San Francisco's government in June 1993 when she was appointed to the County Board of Supervisors. The following year, she won a four-year term, receiving over 100,000 votes. While serving on the Board, she chaired its Finance Committee, where she was responsible for balancing a \$4 billion budget.

Prior to her years in elected office, Susan Leal had a distinguished career as an entrepreneur as well as lawyer and investigator in state and federal governments. In 1985, Ms. Leal became vice-president of a health care management company. She helped grow the business from a local company with a handful of employees to a nationally recognized, publicly traded company with several hundred employees. In 1982, she served as senior consultant to the State Assembly's Committee on Ways and Means. Beginning in 1976, Ms. Leal served as counsel to U.S. House Energy and Commerce Committee's Subcommittee on Oversight and Investigations.

A San Francisco native, Treasurer Leal earned a bachelor's degree in Economics and a Juris Doctorate from the University of California at Berkeley.



GEORGE PUTRIS, TAX ADMINISTRATOR

George Putris is a lawyer who has spent his career specializing in taxation law. Through both private practice and public service, he has gained extensive experience in the areas of federal income taxation, property taxation, state and local taxation, tax litigation, municipal finance, tax-exempt organizations and tax legislation. Immediately prior to undertaking the position of Tax Administrator, Mr. Putris practiced law in the San Francisco City Attorney's Office, where, as Deputy City Attorney, he served primarily as counsel to the Office of the Treasurer & Tax Collector.

Mr. Putris places a high value on efficiency, simplicity and fairness in the administration of the various tax services and regulatory functions performed by the Office of the Treasurer & Tax Collector. He believes that sound tax policy encourages voluntary compliance with the law, and that sound tax administration enhances the City's attractiveness as a place for businesses to locate their facilities and jobs. He is committed to revitalizing the policies and procedures that enable taxpayers to take full advantage of the services offered by the Office of the Treasurer & Tax Collector.

Mr. Putris is a graduate of the Martin Luther King, Jr. School of Law at the University of California, Davis. He also has an LL.M. degree in Taxation Law from New York University. He received his BA degree from the University of California, Berkeley. Mr. Putris is a member of the California Bar Association.



JAY BANFIELD, CHIEF ASSISTANT TREASURER

As Chief Assistant Treasurer, Jay Banfield serves as Deputy to Treasurer Susan Leal in administering the operations of the Office of the Treasurer & Tax Collector, formulating citywide financial policies and controlling the receipts, management and disbursement of city funds. He also serves as the office's Chief Technology Officer and Budget Director.

With a focus on innovation and customer service, Mr. Banfield spearheaded a national award-winning e-government initiative that allows customers to conduct business with the City online. He also manages the City Payment Center, a one-stop-shop for financial transactions that has undergone significant expansion over the last three years. In October 2001, Mr. Banfield was awarded the Public Managerial Leadership Award by the Municipal Fiscal Advisory Committee to the Mayor.

Mr. Banfield has served in the legislative and executive branches of San Francisco Government since 1997. Prior to his work in the Office of the Treasurer & Tax Collector, he worked as a legislative assistant to then Supervisor Susan Leal, Chair of the Board of Supervisors' Finance Committee.

Prior to joining municipal government, Mr. Banfield was a manager at Oracle Corporation, where he led business development efforts in the federal, state and local government sectors. He holds a B.A from Stanford University and a Master of Public Policy degree from the University of California at Berkeley.

CONTACTS

SENIOR STAFF

Treasurer
Tax Administrator

Susan Leal
George Putris

Chief Assistant Treasurer
Chief Investment Officer
Special Assistant to the Treasurer
Section Managers:

Jay Banfield
Daniel Patrick Daly
Shana Margolis

Accounting Section
Administration Section
Bureau of Delinquent Revenue/
Investigations

Manuel Valle
Gail Hemenway
Florence Mar

Business Tax Section
Cashiering Section
Remittance & Mail Operations
Treasury Accounting
& Banking Services

Mark Buckley

Sonia Martinez
Daniel Patrick Daly

Legal Section
Management Information Section
Property Tax & License Section
Taxpayer Assistance Section

Robert Fletcher
Darrell Ascano
Francis Nguyen
Anita Jin



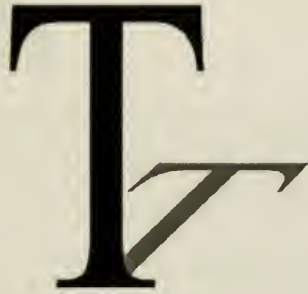
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Taxpayer Assistance: (415) 554-4400

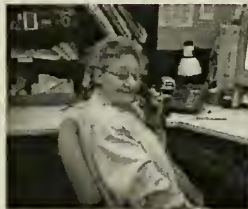


San Francisco



TREASURER & Tax Collector

CITY AND COUNTY OF SAN FRANCISCO



Annual Report **Fiscal Year 2002-2003** **Hon. Susan Leal, Treasurer**

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San Francisco
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TREASURER
& Tax Collector

Welcome to the 2002-03 Annual Report for the Office of the Treasurer & Tax Collector. It is always a pleasure to share with you our yearly accomplishments, and while this year remained fiscally and politically tumultuous, the Treasurer's office prudently invested San Francisco's money. In 2003, the United States went to war with Iraq, and as a country we felt the effects at the Federal, State and local level.

Despite the enduring economic recession and ongoing local financial turmoil, the Office of the Treasurer & Tax Collector earned \$65,428,804 on its \$2.36 billion portfolio, representing a 2.766% yield on its investment portfolio. In addition, San Francisco continued to achieve a yield on the investments of our pooled funds that surpassed our peers such as Los Angeles, San Diego, Sacramento as well as the State of California.

Our office also implemented a program to aggressively audit those companies claiming the bulk of the new jobs tax credit. Of those companies that were audited, we recaptured \$17,106,834 in New Jobs Tax Credits.

Customer service remains a top priority in the Treasurer's office. As a manager, I am proud of the hard work and experience of staff members and am delighted to report that last year, of the 599 surveys completed, 96.6% of customers rated our services as either good or excellent.

These accomplishments, amongst many others, are highlighted in the 2002-03 Annual Report. For more information on the Office of the Treasurer & Tax Collector, please visit our web page at www.sfgov.org/tax, email me at treasurer.taxcollector@sfgov.org, visit the City Payment Center City Hall Room 140, write to me (1 Dr. Carlton B. Goodlett Place, Room 140, San Francisco, CA 94102), or call my office (415.554.4478) with questions or comments. Your feedback is essential to the success of my department and I look forward to hearing from you.

Susan Leal
Treasurer





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This report covers the fiscal year from July 1, 2002, through June 30, 2003, and contains both general and statistical data on the performance of each operating section.

The report is available for download at: <http://www.sfgov.org/tax/annualreport>



STATEMENT OF PURPOSE

Treasurer Susan Leal and her staff serve as the banker, tax collector, collection agent, and investment officer for the government of San Francisco, the only combined City and County in the State of California. The Treasurer, an elective office created by the City Charter in 1850, supervises a department of ten sections that receives over \$10.6 Billion and disburses over \$8.49 billion annually.

The *mission* of the Office of the Treasurer & Tax Collector is to:

- Facilitate voluntary compliance with the tax laws of the City and County of San Francisco by simplifying all processes and procedures and by providing efficient and customer-friendly service.
- Collect all taxes and fees due to the City.
- Provide safekeeping for all City funds, prudently investing the monies to achieve maximum yield with low risk and high liquidity.

The Office of the Treasurer & Tax Collector serves two broadly-defined functions for the residents of the City and County of San Francisco:

1. The collection of taxes and other city revenue.

Through the mail, in person at the City Payment Center, and via the Internet, the Department collects taxes and other obligations owed to the City including business taxes, property taxes and fees for various business licenses and permits required by the Municipal Code. Tax Collection units collect over \$2 billion annually in property taxes, business taxes and license fees. Additionally, the Department investigates and collects unreported and delinquent tax obligations. Through the City Payment Center and the Bureau of Delinquent Revenue, the Department contracts to collect current and delinquent obligations owed to other City Departments, such as water and hospital bills.

2. The oversight of monies before disbursement.

The Treasurer manages all city funds in order to gain the maximum return with low risk and high liquidity, including investing the City's portfolio of pooled funds. The Treasurer works with all City departments to ensure that funds are received, deposited and reconciled as quickly and accurately as possible, providing the maximum interest and investment returns for the people of San Francisco. The Department administers and monitors the bank accounts and wire transactions used by all City agencies and contracts with banks for their services. The Treasurer also disburses payments on the City's General Obligation municipal bonds.



MAJOR INITIATIVES OF 2002-03

- **Jobs Tax Credit:** Due to the loss of jobs in San Francisco and the number of companies that took advantage of the new jobs tax credit, the Treasurer's office implemented a program to aggressively audit those companies claiming the bulk of the credit. Of the audits completed, the office recaptured \$17,106,834 in New Jobs Tax Credits.
- **Yield Remains High:** The annual yield of San Francisco pooled funds, managed by the Treasurer, was 2.766%, with the Treasurer executing \$21 billion in investment transactions.
- **Delinquent Revenue Collections Rise:** Bureau of Delinquent Revenue collections increased more than 6% over the previous fiscal year, to over \$58 million. The department hired four additional collectors who, in less than 4 months, collected over \$4 million dollars for the City.
- **Property Tax Delinquencies Remained Low:** Secured Property Tax delinquency rate for FY 2002-03 remained significantly low at a rate of 1.55%.
- **Customer Service:** Through suggestions provided via phone, the Internet and surveys, the office continued to work hard to update services and to make visits to the office as expeditious and easy as possible. Last year, of the 599 surveys completed, 96.6% of customers rated the services of the Treasurer & Tax Collector as either good or excellent.
- **Historic Business Tax Recovery:** In one of the largest business tax recoveries, the Office of the Treasurer & Tax Collector conducted a business tax audit that resulted in the collection of over \$10.2 million in Payroll Expense Taxes.

San Francisco



TREASURER
& Tax Collector

SECTIONS

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CITY PAYMENT CENTER



The City Payment Center provides a consolidated information and payment facility where taxpayers conduct a variety of City transactions. Emphasis is placed on providing a user-friendly environment with superior levels of customer service. The City Payment Center staff provides guidance and direction regarding all City transactions, tax ordinances and outstanding City obligations. The Center also houses the Bay Area's leading passport acceptance facility.

The City Payment Center was created to:

1. Collect and process all City payments received from taxpayers by the Office of the Treasurer & Tax Collector;
2. Provide substantive information and assistance to taxpayers, other members of the public and City departments;
3. Promote a positive environment for taxpayers and ensure that the Payment Center is regarded as a service-oriented unit.

The City Payment Center consists of four major sections: Taxpayer Assistance, Passport Services, the Information Counter, and Cashiering.



MISSION:

To provide tax information effectively and expediently to taxpayers, other members of the public and city departments; to promote and perpetuate outstanding public relations as a service oriented unit; to serve as the primary public contact unit for the Office of the Treasurer & Tax Collector.

"I was registering for a new business tax certificate, and was all prepared to have to wait. But the clerks were fast, friendly, courteous, and wonderful! I just wish most businesses would offer the same quality of customer service."

-Customer

TAXPAYER ASSISTANCE

The Taxpayer Assistance (TPA) section, located in the City Payment Center, provides efficient and courteous help to San Francisco taxpayers via the phone and in person. The staff is cross-trained on all City tax procedures and places strong emphasis on customer service. This section places customers' needs first and ensures that the public receives quality service and accurate information.

During FY 2002-03, approximately 29,900 taxpayers worked with TPA staff regarding their questions about business taxes, property taxes, business licenses/permits and general inquiries regarding starting a business.

During the fiscal year, TPA registered 11,031 new businesses, a 13% increase over last fiscal year. In total, TPA collected \$4.6 million in business taxes, licenses, permits, and property taxes. Of that total, \$789,431 was attributed to new business registration fees.

In addition, the phone bank received more than 75,511 calls. According to our customer surveys, TPA received a 96% "Excellent" rating on its overall service.

To further assist taxpayers, The Treasurer's office houses an Automated Teller Machine (ATM), operated by the San Francisco Federal Credit Union. It is accessible to the visually impaired and does *not* impose surcharges on customers.

PASSPORT SERVICES

The Treasurer's U.S. Passport Application Acceptance facility opened in Fiscal Year



1999-00. Serving as authorized passport acceptance agents, department staff processes U.S. passport applications and serves as an information resource for the public regarding passport issuance and legislation. The staff's excellent service has quickly

made this the premier Passport Acceptance facility in Northern California and the primary referral by the San Francisco Passport Agency for passport services in the Bay Area.

Treasury Passport Services processed 8,455 passport applications in 2002-03, representing a 5.7% decrease from the previous year. This slight drop reflects the marked decrease in travel leading up to and during the U.S. war in Iraq. Despite the reduction in travel, the Treasury passport services unit earned \$226,834 in revenue for the City, and simplified the passport application process for thousands of travelers and new citizens.

SERVICE & INFORMATION COUNTER

Employees who staff the Service & Information Counter are cross-trained in San Francisco's property and business taxes, licenses, city services, passport processing, and other City information. Staff members work with taxpayers to assess their needs and assist or refer them to the appropriate section within the Office of the Treasurer & Tax Collector. Members act as liaisons on behalf of taxpayers with other City and County departments and serve as resources beyond City Hall regarding taxpayer issues.

Staff also actively conducts outreach efforts to a variety of community, neighborhood and business organizations, educating the public about local requirements and available City resources.

"I cannot believe the speed and excellence of the departments I visited while filing paperwork for my small business! It was a wonderful experience- Thank you!"

-Customer

ACCOUNTING SECTION

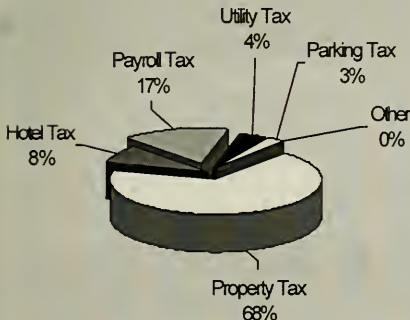


THE ACCOUNTING SECTION'S two primary goals are to provide internal control systems to safeguard the City's assets and to assist the Treasurer in improving office efficiency and productivity.

On a daily basis, this unit provides accounting and support services to the Office of the Treasurer & Tax Collector, performing regular coordination in the reconciliation of cash and bank accounts. The Accounting unit monitors collections, deposits, investments, and other related financial activities that involve cash and securities. Major responsibilities include providing input for the department's budget preparation, expenditure tracking, appropriation payment requests, purchasing, statistical reports, data processing services, and equipment and facilities maintenance. Additionally, this unit handles the reconciliation of business tax credits.

The Accounting team is divided into four subsidiary ledger groups: Real Property Secured and Unsecured, Supplemental Secured and Unsecured, Redemption, and Business Taxes.

**TOTAL RECONCILED COLLECTIONS
FY 2002-03**



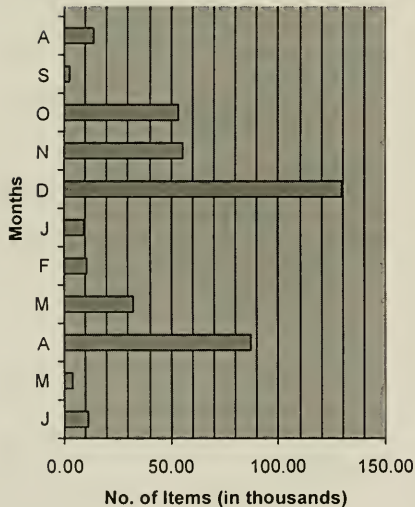
Mission:

To increase accounting efficiency in the Office of the Treasurer & Tax Collector. To serve the public more effectively and to reconcile the posting to individual taxpayers' accounts in an accurate and timely fashion. This includes real estate taxes, business taxes, other taxes, licenses, and all other account receivables under the jurisdiction of the Treasurer.

TOTAL RECONCILED COLLECTIONS

Collection Type	2002-03	2001-02
Property Tax	1,107,742,846	1,086,670,447
Payroll Tax	268,363,755	272,396,592
Gross Receipts Tax	698,966	837,857
Business Reg./License	10,422,755	6,730,207
Hotel Tax	132,155,049	134,579,467
Utility Users Tax	66,522,577	72,030,775
Parking Tax	45,299,014	50,697,808
Emergency Response Fees	17,793,238	15,805,498
Stadium Tax	2,868,547	2,392,912
Roofers' Fees	12,155	12,210
TOTAL	\$ 1,651,878,902	\$ 1,642,153,773

ACCOUNTING SECTION MONTHLY RECONCILIATIONS FY 2002-03



HIGHLIGHTS OF 2002-03

- A total of 421,599 items were reconciled for secured real estate taxes, a decrease of 1.3% (5,749) from last fiscal year.
- Total reconciled dollars increased by \$21.07 million or 2.0% from last fiscal years.
- Staff was cross-trained on different systems to maximize flexibility and optimize productivity.

"Resolved complicated problem, promptly and knowledgeably, with great courtesy. Thanks."

-Customer

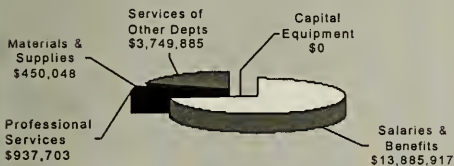
ADMINISTRATION SECTION



THE ADMINISTRATION SECTION provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector. These services include personnel, payroll, purchasing, information services, departmental accounting, budget preparation, and general administrative services.

The section also responds to requests for ad-hoc reports for the Mayor, Board of Supervisors, citizen interest groups and individuals, and other City departments.

FINAL BUDGET OFFICE OF THE TREASURER & TAX COLLECTOR FISCAL YEAR 2002-03



BUDGETED EXP. :	\$19,023,553
LESS RECOVERIES FROM WORK ORDERS:	1,428,836
TOTAL BUDGET ALLOCATION:	\$17,594,717

MISSION:

To provide such effective support services throughout the Office of the Treasurer & Tax Collector that the Department is recognized as the most efficient, knowledgeable and helpful revenue-producing organization in the State of California.

• Payroll

The Payroll Clerk processes daily attendance data and prepares and submits bi-weekly time rolls.

• Budget Management

A priority for the administration section is the preparation of the annual departmental budget request. The department's budget request is determined based on the needs of the nine separate sections and is prepared in consultation with designated managers and senior management. The final budget appropriation for FY 02-03 totaled \$17.59 million.

• Personnel Management

Administration's personnel staff handles the recruitment and hiring of personnel and assists managers in addressing disciplinary matters in a fair and equitable manner. Staff also monitors the application of entitlement programs that have been enacted at the federal and state level. Examples of these programs include: the Family Medical Leave Act [FMLA], Americans with Disabilities Act [ADA] and Workers Compensation [WC].

• Purchasing and Supply

Administration staff provides support to all sections by ordering office supplies, equipment,

and other minor furnishings, arranging for maintenance of copiers and other office equipment, and managing an inventory of approximately 130 different forms and statements.

• Departmental Accounting

The Administration section's principal accountant is responsible for accounts payable and monitors and analyzes spending patterns and historical data for budget preparation. The principal accountant also serves as the department's contact for the FAMIS, ADPICS and BPREP online systems.

• Information Systems

The staff is responsible for maintaining all telecommunications and data processing activities for the Treasurer's office. The staff also manages the computer systems, servers, databases and workstations for approximately 200 employees. Specialized systems maintained by this group support efforts to collect delinquent accounts, register businesses, collect business and property taxes, and perform cashing and remittance processing functions. Staff installs computers, troubleshoots performance problems and provides in-house training for new users.

*"The services are great. It's wonderful to know that you all care."
-Customer*

BUREAU OF DELINQUENT REVENUE/INVESTIGATIONS



THE BUREAU OF DELINQUENT REVENUE

(BDR) is the official collection arm of the City and County of San Francisco. It is authorized to collect all accounts receivable over \$300 and at least 90 days overdue. This pertains to City and County departments including but not limited to: San Francisco General Hospital, Laguna Honda Hospital, The Department of Public Works, the City Attorney, the Fire Department, the Mayor's Office of Community Development, and the Water Department.

BDR uses the Columbia Ultimate Business Systems (CUBS) automated collection software to ensure that all accounts are handled in both a timely and legal manner. The Bureau's objectives are to work with customers to collect payments consistent with their ability to repay debt while maintaining client satisfaction.

Additionally, BDR remains updated on collection and system techniques and employees are members of both the California Municipal Business Tax Association and the California Revenue Officers Association. The staff strives to remain educated about current industry trends and attends annual conferences.

BDR COLLECTIONS



TOTAL 2001-02: \$54,882,577
TOTAL 2002-03: \$58,235,338

MISSION:

To serve the City and County of San Francisco with expertise in all collection matters; to recover debts accrued; to enforce the local ordinances and achieve compliance therewith. Additionally, to balance this commitment with providing efficient, effective and equitable service and support to the public and business communities so that they may accept their responsibilities.

"I was so pleasantly surprised at the great service at City Hall. Thanks for caring enough to improve."
-Customer

BDR staff is divided into five units of which each has separate and distinct roles:

GENERAL COLLECTIONS UNIT

The General Collections unit (formerly the Medical Unit) processes delinquent accounts from various departments. A majority of accounts are referred from San Francisco General and Laguna Honda hospitals. In addition, various accounts are referred from the Department of Public Works, the Mayor's Office, The Department of Recreation & Park, the Water Department and the Department of Elections.

The Collections unit's new clients include: the Ethics Commission, the San Francisco Redevelopment Agency and the Trial Courts.

Since August 2002, the Office of the Treasurer & Tax Collector has been collecting delinquent

GENERAL COLLECTIONS UNIT FY 2002-03

SFGH	\$9,473,633
Ambulance	\$373,461
Via Collection Agency	\$448,452
Laguna Honda	\$304,641
Water Dept.	\$374,765
MOCD	\$1,700
Adult Probation	\$9,022
Commission	\$258,543
Other	\$5,516

moving violation citations issued by the Trial Courts. In FY 02-03, these collections generated \$1,332,362.

The General Collections unit's collections decreased from \$14,323,690 in 2001-02 to 12,465,593 in FY 02-03. This decrease is largely attributed to Olszewski v. ScrippsHealth, which eliminated health care provider liens on third party recoveries obtained by Medi-Cal

ESCROW/BANKRUPTCY UNIT FY 2002-03

Unsec. Prop	\$948,744
Supp. Prop.	\$129,764
Sec. Prop.	\$377,753
Bus. Tax	\$544,506
Hotel Tax	\$7,814
Parking Tax	\$20,108
Bus. Reg. Fee	\$41,322
License	\$36,975
Misc.	\$29,583
TOTAL	\$2,136,569

beneficiaries. The court held that the state welfare and institutions code was pre-empted by federal law which does not allow for recovery when patients receive public assistance. Since medical liens were once the primary source of general collections for BDR, the court's decision greatly shifted the Unit's collection focus.

ESCROW/BANKRUPTCY UNIT

The Escrow/ Bankruptcy unit researches, compiles data and files claims on outstanding debts owed to the City once escrow or bankruptcy is filed.

The research phase begins when notices are published or sent to the Escrow Bankruptcy unit and the Unit conducts database research. During fiscal year 2002-03, this research led to the successful collection of \$2,136,569. Since claims sent to this section are directly related to the state of the economy, it is not surprising that collections remained down 21% similar to last fiscal year.

CLEARANCE/BUSINESS TAX UNIT

The Clearance staff works with business owners, the Business Tax section and the Property Tax section to either collect or resolve delinquent business-related taxes as well as unsecured personal property taxes. All outcomes are resolved in a manner equitable to both the customer and the City.

In a continued effort to collect delinquent business taxes, 4 new collectors were added to the

CLEARANCE UNIT (CONT'D)

Clearance Unit in order to expedite the delinquent collections this fiscal year. Trained in March, by June these 4 new collectors alone generated over \$4 Million in business related taxes. Due to their incredible success, the Board of Supervisors has extended their contracts.

INVESTIGATIONS UNIT

The Investigations unit ensures that taxpayers comply with City and State tax regulations. The unit operates in support of all sections in the Tax Collection Division. The Investigations unit is responsible for a wide range of enforcement activities such as surveys, surveillance, small claims filings, post-judgment execution, seizures, summary judgments, FTB Offsets, complicated accounts, citations, business tax and UPP liens and judgment renewals.

The Investigations unit has improved dramatically since new investigators are well versed in both clearance and collections. At full capacity, the unit has increased its productivity, particularly in the area of surveys. For Fiscal Year 2002-03, the unit collected a total of \$6,654,983 in surveys alone, as compared to the \$654,486 collected in FY 01-02.

Surveys

Investigators are assigned to systematically research, inspect and interview city businesses with potentially high revenue. Senior investigators also completed a plan to survey the entire San Francisco area within 2 years. Overall, approximately 13% of businesses surveyed were unregistered. This total decreased from last year's 22% of unregistered businesses.

CLERICAL UNIT

This sub-unit is responsible for providing all clerical work for the various units of BDR. Clerical staff conducts the initial screening of customers and determines the section or employee most appropriate to address the customer's questions. Clerical staff provides counter coverage on a rotational basis. Also, BDR has set a goal requiring each clerk to be cross-trained to handle and/or assist any unit that needs staff support. During fiscal year 2002-03, the unit screened approximately 21,004 customers in person. In addition, the requests for Spanish translation services increased by 8.9%, and Chinese translation requests nearly tripled from 63 to 178.

HIGHLIGHTS OF 2002-03

- Collections during the FY increased over 6% to \$58,235,338.
- Hired 4 additional collectors and in less than 4 months collected over \$4 million.
- Business Tax collections from surveys increased from \$654,486 in FY 01-02 to \$6,654,983 in FY 02-03.

" I like the prompt service of the fellow workers. There was no waiting at all. It's great service!"
-Customer

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BUSINESS TAX SECTION



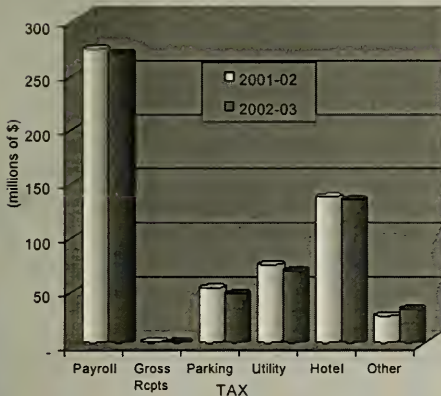
THE BUSINESS TAX SECTION implements and enforces the Business Tax Ordinances for the City and County of San Francisco. The taxes include: Payroll Expense Tax, Parking Tax, Hotel Tax, Utility Users Tax, Roofers' Vehicle Tag fees, Emergency Response Fees, and Stadium Taxes. The section is comprised of two functional units—the *Audit Unit* and the *Account Services Unit*.

THE AUDIT UNIT

The Audit Unit performs scheduled and unscheduled audits to promote voluntary taxpayer compliance with the City's Business Tax Ordinances. In addition, audits are used to detect the underreporting of taxes.

In FY 2002-03, audit deficiency billings totaled \$21,701,053, with 23 payroll expense tax audits generating over \$17,812,000, 2 parking tax audits generating \$718,000 and one hotel audit generating over \$551,000 in deficiency billings.

BUSINESS TAX COLLECTIONS



- (See Accounting Section *Total Reconciled Collections*, p. 10)

OUT OF AREA AUDITS

At the beginning of FY 2002-03, two staff members performed audits in the Los Angeles vicinity. Of the audits conducted, 8 generated a total of \$488,544 in audit deficiency billings.

ACCOUNT SERVICES UNIT

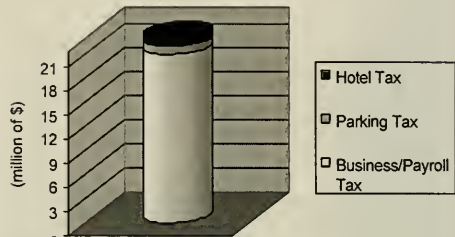
The Account Services Unit maintains taxpayer accounts in the Business Tax System (BTS) and reviews and processes annual, semi-annual and quarterly tax filings. The unit also handles business registration renewals, prepayments and refund requests. The unit troubleshoots all systems-related issues, reviews service requests, recommends action for enhancement, and responds to requests for statistical information.

In FY 2002-03, the Board of Supervisors approved an ordinance that changed the registration renewal deadline to coincide with the filing of the Annual Payroll Tax statement. The consolidated 2002 Payroll Tax & Fiscal Year 2003-04 Business Registration Renewal Statement allowed taxpayers to file one statement, thereby simplifying the filing requirements for taxpayers. However, the impact of this consolidation required significant updates to the Business Tax System, Cashiering System and the system used to process statements.

The Account Services Unit mailed, processed and administered the following tax statements and notices during FY 2002-03:

- **Annual Business Tax Registration Renewal:** In September 2002, 78,364 taxpayers were sent Annual Business Tax Registration Renewal forms. Of these, 54,079 taxpayers renewed their registration certificate.

AUDIT DEFICIENCY BILLINGS



Total Audit Deficiency Billings = \$21,701,053

- **Payroll Tax Annual Statement:** In January 2003, 79,985 Annual Payroll Tax Statements were mailed to taxpayers for YR 2002.
- **Payroll Tax Determination:** In August 2002, 15,764 taxpayers failed to file their 2001 Annual Payroll Tax Statement. Taxpayers were advised to file immediately to avoid additional penalties and collection activity.

MISSION:

To implement and enforce the Business Tax Ordinances; to administer these municipal tax provisions to ensure taxpayer compliance through accurate and responsive account maintenance system; to monitor voluntary compliance through a post-audit program; to promote revenue maximization.

TAX CREDIT FILINGS

Type of Tax Credit	No. of Firms Filing					Amount Claimed
	1998	1999	2000	2001	2002	2002
Enterprise Zone	12	12	8	16	3	\$ 4,762
New Jobs	296	391	557	526	389	8,604,822
Summer Youth	5	3	2	4	-	-
Garment Mfrs.	75	86	77	52	12	69,948
TOTAL	388	492	644	598	404	\$ 8,679,532

- Quarterly and Semi-Annual Business Payroll Tax Prepayment:** To facilitate and accelerate the total annual collection of tax liability, taxpayers are mailed either quarterly or semi-annual prepayment forms. Quarterly prepayment forms are issued to taxpayers whose prior year's payroll tax liabilities exceeded \$50,000. Semi-annual prepayment forms are issued to taxpayers with tax liabilities between \$2,500 and \$50,000. This year, a total of 8,810 prepayment forms were mailed.
- Quarterly and Monthly Hotel Tax and Parking Tax Prepayment:** In addition to managing the Payroll Tax filings, the Account Services Unit also oversees the Hotel Tax for over 800 hotels and the Parking Tax for approximately 350 parking operators. In FY 2002-03, 2,694 monthly hotel tax prepayments, 2,665 quarterly hotel tax statements, 1,444 monthly parking tax prepayments, and 2,381 quarterly parking tax statements were filed. This fiscal year, the Quarterly Parking Tax Statement will require parking operators to file a separate parking tax statement for each parking location. This will improve the monitoring and tracking of parking tax revenue by parking location.
- Utility Users Tax Monthly Tax Statement:** This year, a new Utility Tax Statement was developed to ensure a uniform filing process for monthly returns. During FY 2002-03, 1,824 Utility Tax Statements were filed.
- Request for Waiver of Penalties:** For the 2002 tax year, the Account Services Unit approved 762 requests for waiver of penalties. The number of refunds is significantly lower than those issued in 2001 due to changes in the San Francisco Business and Tax Regulations Code. Such changes in the Code enabled taxpayers to file a Payroll Tax Exemption Declaration for Tax Year 2002, allowing taxpayers with a tax liability of less than \$500.00 to forego the Annual Payroll Tax Statement and only file a Payroll Tax Exemption Declaration. By doing so, many small businesses filed on time, avoiding the assessment of penalties and/or interest for non-filing.

- **Reinstatement of Small Business**

Exemption: During the 2002 tax year, this unit received 60 requests for the Reinstatement of the Small Business Exemption. 9 exemptions were approved, 2 denied and 49 are pending.

- **Requests for Taxpayer Refunds:** In FY 2002-03, Account Services processed 1,076 refund requests for various payments. Of this amount, 546 were approved and 455 were denied compared to FY 01-02 when, of the 1,324 requests received, 1,284 were approved and 40 were denied. This decrease in refund requests is attributed to the sunset of the New Jobs Tax Credit.

OTHER PROJECTS

- **Annual Tax Credit Report:** During May of each year, the Tax Collector's Office submits an Annual Tax Credit Report to the Board of Supervisors.

HIGHLIGHTS OF FY 2002-03

- The audit staff generated \$21,701,053 in audit deficiency billings during the fiscal year, a 327% increase from the prior fiscal year.
- The Business Taxes Division collected over \$13,071,000 from audit deficiency billings.
- The audit staff recaptured \$17,106,834 in New Jobs Tax Credits.
- The contractor completed work on Phase I of the BTS migration project in March 2003.

CASHIERING SECTION

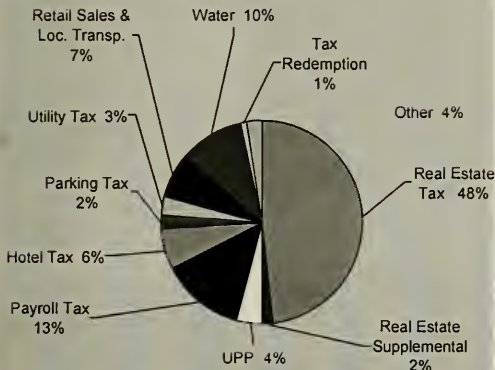


The **CASHIERING SECTION** receives and processes much of the City's revenue. In FY 1998-99, the Treasury and Tax Collector Cashiering units were restructured and merged under the Chief Assistant Treasurer. While the subunits retained discrete tasks and staff, the merger helped the Remittance Processing Center handle a significantly higher number of transactions.

CASHIERING, REMITTANCE & MAIL OPERATIONS

The Cashiering, Remittance & Mail Operations unit accepts and processes tax payments, registration and license fees. The unit handles payments received through the mail, presented in person, paid by credit card or wire, as well as via the Internet. The city payment center also sells many public transportation products to the public.

**CASHIERING COLLECTIONS
FY 2002-03**



TOTAL COLLECTIONS = \$2,042,296,907
(See chart p. 22)

MISSION:

Cashiering, Remittance & Mail Unit: To collect and process all City payments received from taxpayers, by Office of the Treasurer & Tax Collector in an efficient and expedient manner, and to provide substantive information and assistance to taxpayers and other members of the public.

Banking Operations Unit: To receive, account, process and deposit all payments for taxes, licenses, and other revenues in an efficient and expedient manner; to render high quality service to departments, residents, businesses, and visitors.

Remittance & Mail Operations is comprised of four areas which work together to process and post all tax payments:

- *The City Payment Center Cashiers* accept payments from taxpayers, sell transit items, distribute commuter checks, receive department deposits, process mail payments, and distribute departmental NSF.
- *The Mailroom* staff sorts, opens and verifies all mail for the Office of the Treasurer & Tax Collector, the Water Department and the Port of San Francisco. The staff also distributes mail to all designated units.
- *The Remittance Processing* staff processes water bills and other tax payments using high-speed NCR Remittance machines.
- *The Check Control and Research* staff researches and processes unidentified tax payments in order to produce payment stubs for Delinquent Revenue payments and other tax bills.

For fiscal Year 2002-03, collections increased by \$7.2 million from \$2.035 billion to \$2.042 billion.

The overall increase represents significant increases in the collection efforts by the Office of the Treasurer & Tax Collector. For example, Business Tax Registration increased by 55.7% and Delinquent Revenue by 38.2%.

During FY 2002-03, the Mailroom also increased its productivity. The section sorted, opened, and distributed a total of 1,222,413 pieces of mail to all divisions of the Office of the Treasurer & Tax Collector during the year. Approximately 55% of the mail was related to Water Department payments and Property Tax bills constituted 23% of all envelopes processed. The

number of articles handled by the Check Control area increased by 36% as compared to last fiscal year. This increase was in direct response to other coordinating department requests to have actual items placed in check control.

**REMITTANCE & MAIL
COLLECTION TOTALS**
(in millions of \$)

Revenue Type	2002-03	2001-02
Sec. Property Tax	\$980.13	\$922.76
Real Estate Supplemental	\$42.28	\$65.26
Unsecured Personal Property	\$85.52	\$90.17
UPP Supplemental	\$1.80	\$1.50
Business Tax Registration	\$10.46	\$6.72
Business Tax	\$0.71	\$0.82
Payroll	\$267.58	\$271.47
Tax Redemption	\$18.86	\$16.85
Hotel	\$132.28	\$134.49
Parking Tax	\$45.20	\$49.98
Utility Tax	\$66.19	\$71.65
Retail Sales & Local Transit	\$145.04	\$158.42
Water Bills	\$210.20	\$214.05
License	\$6.49	\$6.16
Emergency	\$18.12	\$15.91
Other	\$11.44	\$8.89
TOTAL	\$2,042.30	\$2,035.10

*"I drove in from Sacramento and appreciated the excellent service."
-Customer*



Accomplishments in FY 2002-03

- The Section began processing payments for Alarm Registration fees in May 2003. By June 2003, 2007 payments were processed for a total collection of \$99,125.
- Cashiering began issuing Golf Resident cards for the Recreation and Park Department in July 2002. These cards provide discounts to San Francisco and Pacifica residents at the city golf courses. The approximate number of cards issued per month is 500.
- A Translink Add-Value terminal was installed in the Cashier Window area. The terminal will allow commuters to either add products or a monetary amount to their existing Translink Cards.

TREASURY ACCOUNTING AND BANKING SERVICES

The primary objective of the Accounting and Banking Services section is to process and account for the receipt of collections, departmental deposits, and disbursements by the close of the same business day.

Detailed responsibilities of the Accounting and Banking Services Unit include:

- Processing and accounting of all City and County monies and checks, through direct bank deposits, the mail center, electronic fund transfers, federal reserve wires, lockbox operations, credit card transactions, bank adjustments and City Payment Center transactions.
- Payment of all Controller warrants through the Department's Clearinghouse Bank.
- Recording and approving daily cash transactions to FAMIS, the City's internal accounting system.
- Maintaining online FAMIS ledger accounts and reconciling balances to their respective bank account balances. As of June 30, 2002 there are more than fifty-five depository accounts in the Treasurer's Group of accounts.
- Daily input and detailed reconciliation of FAMIS reports.
- Performing safekeeping functions for bequest and lease deposit securities for the City and County.

Tax collection receipts and other City department receipts are electronically received for processing through the NCR remittance processing system. This enables the early deposit of receipts as well as a reduction in bank charges.

All checks received through the Treasurer's receiving window are encoded and microfilmed prior to deposit in the City's bank accounts. A division of duties among the Department's receiving cashiers, vault cashiers, paying cashiers, reconciliation cashiers, clerks, and accountants ensure internal controls.

In addition, the Banking Operations unit oversees credit card payments to the City for property taxes, traffic fines, towing and storage fees, misdemeanor bails, library fees, and Bureau of Vital Statistics fees.

**TREASURY ACCOUNTING & BANKING SERVICES
TRANSACTION STATISTICS FY 2002-03**

Description	Amount
Departmental Deposits	1,104,303,798
Departmental Deposits at Cashier's window	137,662,468
Wires/Electronic Fund Transfers	
EFT/ACH	2,333,766,004
Online Credit Card Receipts	3,215,681
Online E-Check Receipts	2,046,654
Credit Card Wires	6,649,941
State Checks	300,699,128
Citywide Receipts (not inc. tax collections)	\$ 3,888,343,674
Disbursements	
Citywide Disbursements	4,817,649,768
Disbursement Wire outs	3,670,708,796
Total Citywide Disbursements	\$ 8,488,358,564
Port Lockbox	\$ 27,081,522
Non-Sufficient Funds (NSF)	4,060,916
Passport Applications Processed	7,822
Passport Processing Fee	246,360
Number of Stop Payments Processed	1,205
Number of Checks Deposited	3,206,061
Number of NSF Checks Returned	5,707
Number of NSF Checks Releared	9,085
Cash & Equity Balance (as of 6/30/03)	\$ 2,390,292,979

HIGHLIGHTS OF FY 2002-03

- The Cashiering unit processed over 3.4 million items with an accuracy rate of over 99%, exceeding private industry.
- The Banking Operations unit reconciled \$1.4m in payments delivered through the E-Government platform. This option gives greater flexibility in the payment of both property taxes and business taxes for the constituency.

"The staff member who helped is a wonderful representative of the SF Tax Collector. I have resided and voted in SF for 50 years and am grateful for this respectful service."

-Customer

INVESTMENT DIVISION



The INVESTMENT DIVISION administers and controls the investment of all monies in the Treasurer's custody that are not required for payment of current obligations. The staff's goal is to maximize interest income while preserving the liquidity and safety of the principal. The Investment Division has consistently demonstrated prudent portfolio management with excellent results. In Fiscal Year 2002-03, the Treasurer executed \$21 billion in investment transactions.

Direct wire lines maintained by major investment houses enabled the Chief Investment Officer to make investments on behalf of the City through rapid, competitive online bidding. The Treasury does not own any stocks or bonds. Instead, the City's accounts (excepting pension funds) are invested in commercial paper, bank notes, banker acceptances, Federal agencies, and U.S. Treasury notes.

Cash Managers

The Cash Managers assist the Chief Investment Officer in administering the cash management and investment policies. The Cash Managers' primary responsibilities include:

- Initiating, analyzing and modifying cash-flow procedures and systems.
- Advising and making recommendations regarding cash management procedures and policies, bank relationships, bond interest and redemption wires, and the bond arbitrage rebate program.

<u>Yield Comparisons</u>	<u>FY 2002-03</u>
S.F. Cty. (Pooled)	2.766%
S.F. Cty (All Funds)	2.691%
Avg. 90-day U.S. T-Bills	1.20%
San Diego Cty. (Pooled)	2.34%
Los Angeles Cty. (Pooled)	2.16%
State Local Agency Fund (Pooled)	2.18%

- Ensuring compliance with regulations that require that all revenues received by City departments are deposited and receipted in a timely manner.
- Managing the bond and coupon redemption program.
- Preparing and issuing Requests for Proposal (RFPs) for various financial services as required by individual departments.
- Co-administering with the Controller the bond arbitrage rebate program.

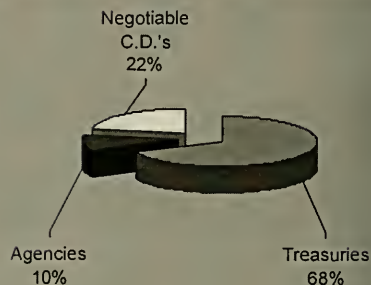
The Investment Division also monitors and invests all City funds that flow through the remittance processing system electronically. All funds are transferred by Fed-wire to the City's primary bank accounts for disbursement by the Controller or for investment by the Treasurer. Additionally, in FY 2002-03, the Investment Division implemented 1,300 outgoing Federal wire transactions valued in excess of \$1.5 billion.

Bond and Coupon Redemption

The Treasurer, through the Investment Division, is responsible for the payment of the City's general obligation bonds, principal and interest. During FY 2002-03, the Treasurer paid \$128,999 in interest and \$455,000 in principal on bearer bonds as well as \$57.52 million in interest and \$86.27 million in principal on book entry bonds. The 1994 series ABCD bonds were called on June 15, 2003.

The Investment Division is also responsible for the calculation of arbitrage rebate liability for bond revenue proceeds. Currently, calculations are performed on approximately 30 bond issues. Once the calculations have been performed, the calculation workpapers are forwarded to the Controller's Office for review and verification of any liabilities due and payment of any liability on the fifth year anniversary date.

INVESTMENTS OUTSTANDING AS OF JUNE 30, 2003



TOTAL PAR VALUE = \$2,332,000,000
TOTAL BOOK VALUE = \$2,318,805,031

- Avg. age of portfolio = 193 days
- Interest Received = \$75,315,857
FY 2002-03
- Total Net Earnings = \$69,506,630
FY 2002-03
- Market Value = \$2,315,411,977
plus fixed assets = \$7,541,670
accrued earnings

LEGAL SECTION



LEGAL SECTION pursues collection litigation on delinquent accounts that fall under the Office of the Treasurer & Tax Collector's jurisdiction. Legal only becomes involved when all other collection efforts have failed. It also responds to legal challenges against Treasurer & Tax Collector claims in bankruptcy, judicial foreclosure and hospital lien cases. In addition, this section serves as the legal advisor on collection-related issues to both the Tax Collector and section supervisors.

Collection Activities

- 4 complaints and answers filed
- 1 abstract and consensual lien recorded

Most delinquent accounts referred to the Legal section are tax deficiency assessments from the Business Tax Section; the remainder are from the Bureau of Delinquent Revenue (BDR). Civil collection suits are the primary means of enforcing payment of delinquent accounts. However, when appropriate, the unit uses negotiations and other civil creditor procedures in support of voluntary payment agreements negotiated with the debtor. The Legal Section monitors all monthly payment accounts and takes specific action to bring defaulting debtors into compliance. The

LEGAL SECTION ACTIVITY

TYPE OF ACTIVITY	2002-03	2001-02
Complaints & Answers Filed	4	5
Abstracts & Consensual Liens Recorded	1	1
TOTAL DOLLAR RECOVERY	\$1,542,578	\$2,220,207
Concluded Bankruptcy Cases (transferred to BDR)	9	8
BDR Hospital Liens	\$619,485	\$291,921

MISSION:

To provide litigation services in all cases under the Tax Collector's jurisdiction where court action is the only effective collection tool and to provide legal advice on collection-related issues to the Tax Collector and section supervisors.

section's priority is to identify those monthly payment cases where the debtor has defaulted and to take action to promote compliance.

Litigation Activity

- 4 new cases filed -\$4,463,733
- 1 judgment entered -\$31,678
- 2 cases dismissed -\$45,233

The legal section also continues to monitor the monthly payments for the \$2,050,000 settlement reached in the suit brought against two parking lot operators who were discovered to be underreporting and underpaying parking taxes.

BDR/Hospital Cost Recovery Liens

- \$619,485 Collected

The total collection through liens on hospital patient's third party recoveries increased from the previous fiscal year. This increase was despite the negative impact of Olzowski v. ScrippsHealth. This case eliminated health care provider liens on third party recoveries obtained by Medi-Cal beneficiaries, who comprise a large segment of the San Francisco General Hospital patient population.

Bankruptcy Litigation

- 18 cases referred
- 9 cases successfully completed
- 27 cases in inventory

In this program, also in coordination with BDR, Legal Section performs legal services in the bankruptcy courts on specific bankruptcy files referred by the BDR bankruptcy group. These include responding to debtor objections to Tax Collector creditor claims, improper treatment of taxes in debtor payment plans and responding to lawsuits filed in bankruptcy court against the Tax Collector. Current economic conditions have precipitated a dramatic increase in the number of referrals to the Legal section where the section has preserved \$915,332 in creditor claims for eventual payment to the Bureau of Delinquent Revenue.

Non Litigation Collection Activity

- 5 cases collected in full - \$270,416

In addition to litigation activity in the courts, Legal section negotiated structured settlement agreements to obtain payment of large tax delinquencies.

Legal Advice

Staff attorneys respond to legal inquiries from other Tax Collector sections throughout the year. The attorneys prepare major legal advice memoranda in addition to providing informal case advice and settlement recommendation.

MANAGEMENT INFORMATION SYSTEMS



THE MANAGEMENT INFORMATION

SYSTEM SECTION was created in July 2000 to provide centralized support services for the entire department's computer and information system needs. This includes procurement of services, hardware, software, and data processing supplies, as well as administering the hardware and software maintenance agreement for the different systems. Additionally, the unit is responsible for the system administration of the department's local area network (LAN) and wide area network (WAN) services.

MIS recently deployed the Citrix terminal server which allows remote network connectivity through dialup access and Internet connectivity to the department's resources through a virtual private network (VPN). It is expected that these resources will be expanded to a wireless environment to provide real time information for auditors and investigators conducting fieldwork.

The MIS section coordinates custom programming projects, service requests, production support maintenance and security issues with the Department of Telecommunication and Information Services (DTIS), vendors and consultants.

MIS, having been instrumental in launching the department's Intranet website, is responsible for maintaining the server resources as well as updating the website and its content. The site continues to facilitate the needs of the department through resource and information sharing.



MISSION

To support the various Information Technology projects of the Department by providing high levels of customer service, maximizing revenue collection and providing the necessary management tools and services required to increase staff productivity and efficiency.

MIS continually works to build a network of resources that meets the needs of the department, taxpayers and on-line customers. Internally, this includes implementing and maintaining access to specialized applications for each department in the Treasurer and Tax Collector's office. Some of these applications include: Cardiff Teleform Information Capture System, Alchemy Imaging, Columbia Ultimate Business System, Netvantage-ITEMAGE, Anacomp-Alva, Timeslip, Compulaw, SmartLaser 2000, MAPINFO, EPISUITE Pro.

Coordinates Services with State and Other City Departments

The wide area connection (WAN) through DTIS and other city departments ensures the highest reliability and interoperability of our systems. The department use of Rumba Office provides interfaces to the IBM Mainframe, UNIX VAX, and AS/400 for all critical and confidential records and information pertaining to Secured and Unsecured property taxes, business licenses and taxes and patient information.

Highlights for FY 2002-03

- As of July 1, 2002, the Office of the Treasurer & Tax Collector became the official location to obtain Golf Resident Cards for San Francisco and Pacifica residents wanting to use San Francisco's golf facilities.
- Completed the successful migration of the Department's CMail to the new city enterprise Lotus notes/Domino Email system.
- Installed Alva-Anacomp, a paperless program for the payroll section that provides immediate access to payroll reports. Reports are stored on CD-Rom from the Controller's PPSD unit, eliminating wasteful and cumbersome computer printouts.
- Implemented an ID card badge system for the taxicab drivers (A Card) in coordination with the Cashiering and Property Tax/Licensing section.
- Upgraded the Legal section's Netware server to a Windows 2000 server increasing processor speed and storage capability.
- Expanded the e-government cashiering interface application for online property tax payment and inquiries, business registration renewals and business tax statement filings.
- Installed an updated property tax bill CD-ROM that allowed staff to print past tax bills for fiscal years 1993-2001 without microfiche machines.
- Developed MS Access database application for tracking passport applications and parking bonds.

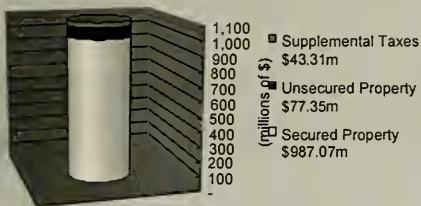
PROPERTY TAX & LICENSE SECTION



PROPERTY TAX COLLECTIONS

FY 2002-03

(See chart p. 33)



Total Property Tax Collections = \$1.108 billion

THE PROPERTY TAX & LICENSE SECTION

handles the billing, collection, recording and reporting of payments for secured and unsecured property taxes, as well as special assessments. This section also administers special licenses and permits related to specific businesses. The three major units of this division are Real Estate, Tax Redemption and Business License.

REAL ESTATE UNIT

The Real Estate unit is responsible for processing tax bills for secured taxes and resolving the public's property tax issues via the telephone, in person and through correspondence. It also establishes and records four-year installment payment plans for secured and unsecured escape assessments for all prior fiscal years. The Real Estate unit processes refund requests for overpayments and duplicate payments of property taxes and business license fees. In addition, the unit collects various special assessments placed on secured property tax bills including over 57,000 rent board fees, approximately 31,000 apartment house fees and more than 800 hotel license fees.

MISSION:

The Property Tax & License Section strives to serve the general public by providing timely and accurate property tax and business license information in a fair, legal and courteous manner.

In fulfilling this mission, we will meet our responsibilities and preserve high levels of customer satisfaction.

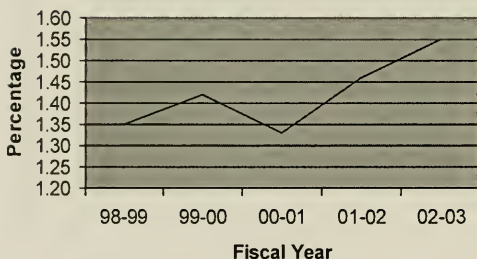
"A refreshing experience. Pleasant, engaged and helpful staff from the Front Desk to the woman assisting me. Relaxed and patient! Thank you."

-Customer

Secured Property Taxes

During Fiscal Year 2002-03, property tax revenue collection increased by \$52.0 million, or 5%, as compared to last fiscal year. This modest increase was due largely to the lack of home-price appreciation as seen in previous years and the reduction of assessed property value. Also, while the section continues to experience problems associated with the linking of the Assessor's computer system with the mainframe where the property tax database resides, staff continues to respond effectively to taxpayer questions and concerns. In fact, the Property Tax section has maintained a remarkably low delinquency rate of 1.55%, ranking San Francisco 7 out of the 58 counties in terms of the lowest delinquency rates.

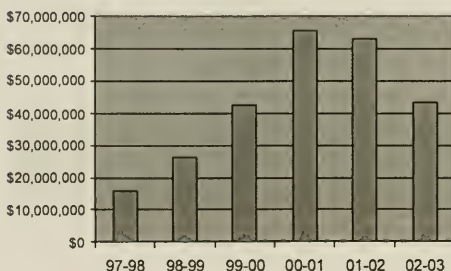
**SECURED PROPERTY TAX
DELINQUENCY RATE**



Supplemental Property Taxes

Secured supplemental tax revenue collection for fiscal year 2002-03 dropped by 31% as compared to last fiscal year. This decrease in revenue collection was due largely to a declining housing economy where there was virtually no increase in home price, particularly in San Francisco.

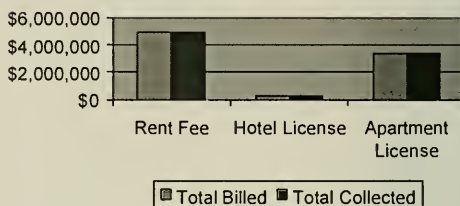
**SUPPLEMENTAL PROPERTY
TAX REVENUE COLLECTION**



Special Assessments

For efficiency and effectiveness, collection of apartment and hotel license fees as well as rent board fees are incorporated into the secured property tax bills. Eliminating the excess mailings reduces departmental costs and results in savings for the City. It also contributes to the exceptionally low delinquency rate of approximately 1 percent for special assessments.

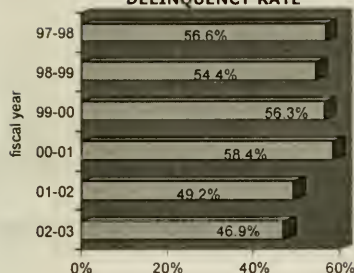
SPECIAL ASSESSMENT



Tax Redemption Bureau

The Tax Redemption Bureau processes and computes prior years' delinquent secured property tax payments. It also maintains records on taxes being paid on a five-year installment plan. Annually, in compliance with state law, the unit prepares a list of properties in tax-default for over five years. These properties are subject to the Tax Collector's Power to sell and the unit records a "Notice of Power to Sell Tax-Defaulted Property" for each of these properties. These notices are posted throughout the year in newspapers of general circulation. The Unit must attempt to sell these tax-defaulted properties at either public auctions or through sealed bids within four years after the property is subject to the Power to Sell. This fiscal year there was a sharp decrease in the redemption delinquency rate. This was due largely to the cancellation of incorrect assessments made on several secured property tax enrollments.

TAX REDEMPTION DELINQUENCY RATE



Business License Unit

The Business License unit handles the billing, collecting, recording, and reporting of business license fees as mandated by the San Francisco Municipal Code, Business and Tax Regulations Code. All business license fees that are delinquent for 90 days are reported to the regulatory departments for collection. During Fiscal Year 2002-03, this unit processed 30,644 business license accounts for the Departments of Public Health, Police, and Fire as well as numerous dog licenses for the Department of Animal Care and Control. These licenses resulted in more than \$6.73 million in revenue, a 9.15% increase from last fiscal year.

BUSINESS LICENSE FEES STATISTICAL ACTIVITY FY 2002-03

Type of Collection	FY 2002-2003	
	Amount	No. of Items
Police	\$1,583,793.00	11,154
Public Health	\$4,326,291.00	7,577
Fire	\$485,276.00	2,710
Dog Licenses	\$96,366.00	4,347
Total	\$6,491,726.00	25,788

PROPERTY TAX COLLECTIONS FY 2002-03

Secured Property	
Current Year	\$968,295,983
Prior Years' Redemption	18,778,703
TOTAL	987,074,686
Unsecured Property	
Prepaid	551,309
Current Year	83,201,596
Prior Years'	-6,398,311
TOTAL	77,354,594
Supplemental	
Secured	41,363,487
Unsecured	1,950,079
TOTAL	43,313,566
TOTAL COLLECTIONS	\$1,107,742,846

Highlights For FY 2002-03

- On April 25th, 2003, the Property Tax/License section conducted a successful public auction of secured real properties that were subject to the Tax Collector's "Power to Sell". The purpose of offering tax-defaulted property at auction is to collect unpaid taxes and to convey the property to a responsible owner. Of the 79 parcels offered at auction, 9 were removed for reasons such as bankruptcy or probate, 43 were redeemed prior to the auction and 15 were sold. Revenue earned from this auction was \$22,479.50.
- A total of 180,000 secured property tax bills were mailed out by October 16, 2002, two weeks ahead of the state scheduled deadline. 8,000 requests for overpayment refunds of property taxes and business license fees were processed within 30 days, reducing the amount of paid interest. In addition, 300 written requests for waiver of delinquent penalties were reviewed and replied to within 30 days of receipt.
- The Property Tax section reduced the percentage of unpaid redemption files to under 47%.



SUSAN LEAL, TREASURER

In November 2001, Susan Leal was re-elected to her second term as Treasurer of the City and County of San Francisco, capturing 87% of the vote. As Treasurer, Susan serves as the City's banker and chief investment officer. Her duties as Treasurer also include managing all tax and revenue collection for San Francisco.

Since taking office in 1998, Treasurer Leal instituted a number of programs and operational improvements that have significantly increased tax collection rates. These include outreach efforts to individual citizens, business owners and non-profit organizations as well as crackdowns on delinquent and fraudulent taxpayers. Treasurer Leal has achieved a 91% increase in delinquent tax collection, representing more than \$26 million in additional revenue for the City.

Treasurer Leal initiated San Francisco's first-ever socially responsible investment policy that has consistently achieved a rate of return that is highest among its peers. Treasurer Leal has also made many innovative improvements to customer service including, introducing the City Payment Center, a one-stop shop for City transactions such as transit passes, water bills, and passports; spearheading the City's e-commerce initiative which was named one of the top e-government projects nationwide; and launching the nation's first audio ATM for the visually impaired.

Susan Leal first joined San Francisco's government in June 1993 when she was appointed to the County Board of Supervisors. The following year, she won a four-year term, receiving over 100,000 votes. While serving on the Board, she chaired its Finance Committee, where she was responsible for balancing a \$4 billion budget.

Prior to her years in elected office, Susan Leal had a distinguished career as an entrepreneur as well as lawyer and investigator in state and federal governments. In 1985, Ms. Leal became vice-president of a health care management company. She helped grow the business from a local company with a handful of employees to a nationally recognized, publicly traded company with several hundred employees. In 1982, she served as senior consultant to the State Assembly's Committee on Ways and Means. Beginning in 1976, Ms. Leal served as counsel to U.S. House Energy and Commerce Committee's Subcommittee on Oversight and Investigations. A San Francisco native, Treasurer Leal earned a bachelor's degree in Economics and a Juris Doctorate from the University of California at Berkeley.



GEORGE PUTRIS, TAX ADMINISTRATOR

George Putris is a lawyer who has spent his career specializing in taxation law. Through both private practice and public service, he has gained extensive experience in the areas of federal income taxation, property taxation, state and local taxation, tax litigation, municipal finance, tax-exempt organizations and tax legislation. Immediately prior to undertaking the position of Tax Administrator, Mr. Putris practiced law in the San Francisco City Attorney's Office, where, as Deputy City Attorney, he served primarily as counsel to the Office of the Treasurer & Tax Collector.

Mr. Putris places a high value on efficiency, simplicity and fairness in the administration of the various tax services and regulatory functions performed by the Office of the Treasurer & Tax Collector. He believes that sound tax policy encourages voluntary compliance with the law, and that sound tax administration enhances the City's attractiveness as a place for businesses to locate their facilities and jobs. He is committed to revitalizing the policies and procedures that enable taxpayers to take full advantage of the services offered by the Office of the Treasurer & Tax Collector.

Mr. Putris is a graduate of the Martin Luther King, Jr. School of Law at the University of California, Davis. He also has an LL.M. degree in Taxation Law from New York University. He received his BA degree from the University of California, Berkeley. Mr. Putris is a member of the California Bar Association.



JAY BANFIELD, CHIEF ASSISTANT TREASURER

As Chief Assistant Treasurer, Jay Banfield serves as Deputy to Treasurer Susan Leal in administering the operations of the Office of the Treasurer & Tax Collector, formulating citywide financial policies and controlling the receipts, management and disbursement of city funds. He also serves as the office's Chief Technology Officer and Budget Director.

With a focus on innovation and customer service, Mr. Banfield spearheaded a national award-winning e-government initiative that allows customers to conduct business with the City online. He also manages the City Payment Center, a one-stop-shop for financial transactions that has undergone significant expansion over the last three years. In October 2001, Mr. Banfield was awarded the Public Managerial Leadership Award by the Municipal Fiscal Advisory Committee to the Mayor.

Mr. Banfield has served in the legislative and executive branches of San Francisco Government since 1997. Prior to his work in the Office of the Treasurer & Tax Collector, he worked as a legislative assistant to then Supervisor Susan Leal, Chair of the Board of Supervisors' Finance Committee.

Prior to joining municipal government, Mr. Banfield was a manager at Oracle Corporation, where he led business development efforts in the federal, state and local government sectors. He holds a B.A from Stanford University and a Master of Public Policy degree from the University of California at Berkeley.

CONTACTS

SENIOR STAFF

Treasurer
Tax Administrator

Susan Leal
George Putris

Chief Assistant Treasurer
Chief Investment Officer
Special Assistant to the Treasurer
Section Managers:

Jay Banfield
Daniel Patrick Daly
Shana Margolis

Accounting Section
Administration Section
Bureau of Delinquent Revenue/
Investigations

Manuel Valle
Gail Hemenway
Florence Mar

Business Tax Section
Cashiering Section
Remittance & Mail Operations
Treasury Accounting
& Banking Services

Mark Buckley

Sonia Martinez
Daniel Patrick Daly

Legal Section
Management Information Section
Property Tax & License Section
Taxpayer Assistance Section

Robert Fletcher
Darrell Ascano
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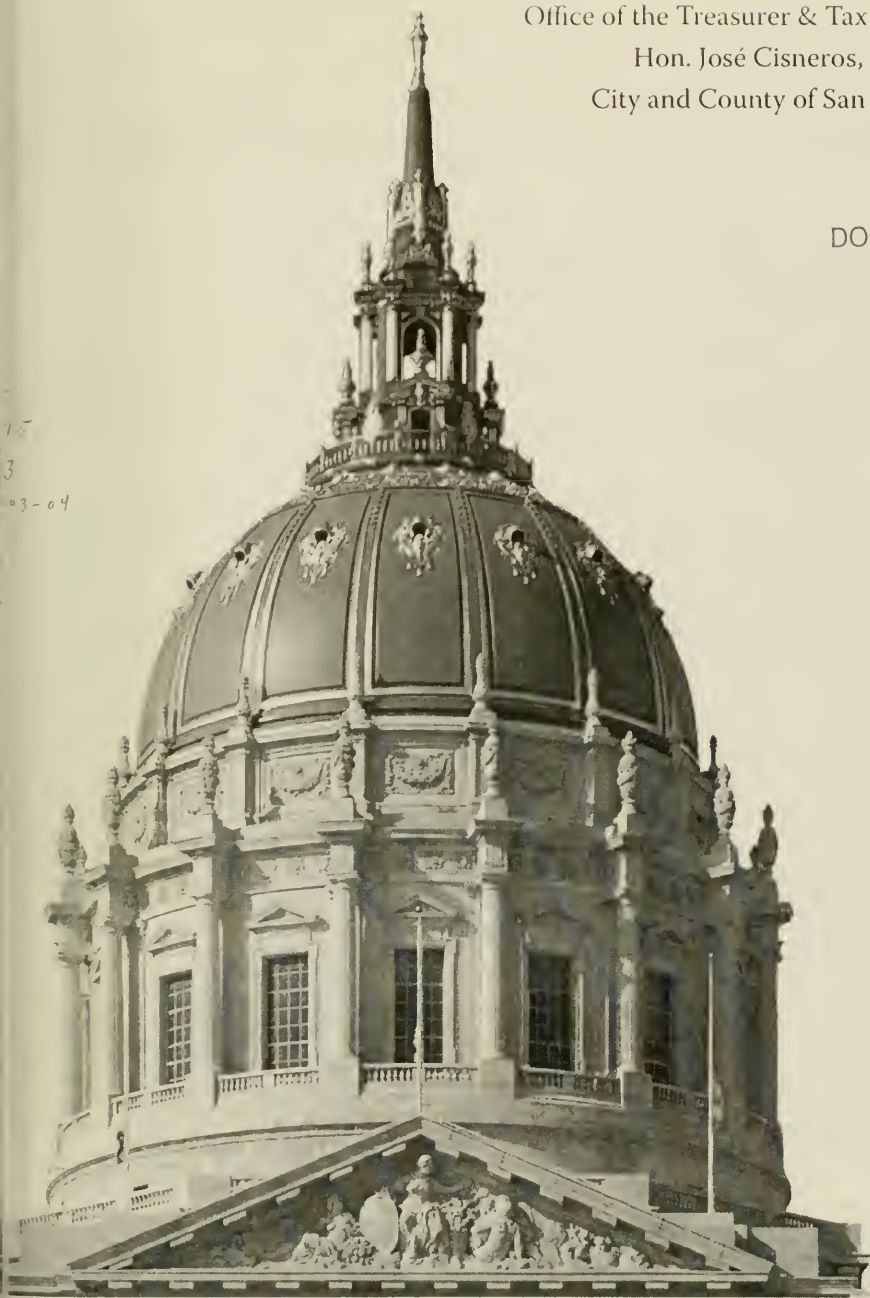
Annual Report Fiscal Year 2003-2004

Office of the Treasurer & Tax Collector
Hon. José Cisneros, Treasurer
City and County of San Francisco

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Letter from Treasurer José Cisneros

In September of 2004 I was sworn in as Treasurer for the City and County of San Francisco. I am now fortunate to be leading one of the most well-managed departments in the City. Although I was not the Treasurer during the fiscal year detailed in this annual report, I am proud to be reporting on the successes of the office during that time. In my exciting new role, I am dedicated to upholding the high standards of the office and continuing the legacy of dedicated service to the people of San Francisco.

In the 2003-2004 fiscal year, the annual yield of our pooled City funds remained high, at 1.89%, again surpassing our peers in Los Angeles, San Diego and Sacramento, as well as the State of California. The Treasurer executed \$29.5 billion in investment transactions during this time.

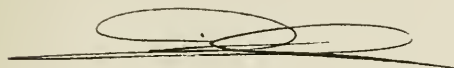
The Office continued to increase our collections and generate revenue for the City. The Bureau of Delinquent Revenue increased collections to over \$66 million – a 13.5% rise over the previous year – and our Business tax investigators reported an increase of 55 percent. Collections consistently exceed expectations.

Our Property Tax section achieved the lowest ever delinquency rate for secured property taxes – a remarkable achievement considering the economic circumstances of the last few years.

We continued to deliver an exceptional level of customer service, with 97% of customers surveyed rating our services as good or excellent. We also processed a significantly higher number of passports, providing efficient service to over 8,000 travelers and new citizens.

These are just a few of the accomplishments highlighted in the 2003-2004 Annual Report. For more information on the Office of the Treasurer & Tax Collector, please visit our web site at www.sfgov.org/tax. You can also call, e-mail or write to me – our contact information is listed at the end of the report.

I am honored to be serving this great city and its residents. During my term as Treasurer I will continue to safely invest our money and collect all taxes and other revenue owed to the City, while maintaining a strong focus on providing the very best customer service available.



José Cisneros
Treasurer

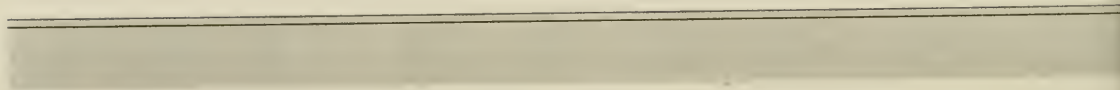
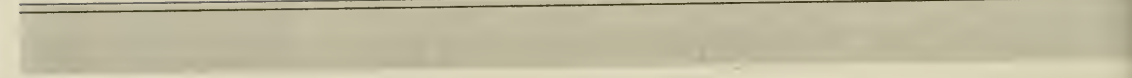


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Statement of Purpose

Treasurer José Cisneros and his staff serve as the banker, tax collector, collection agent, and investment officer for the government of San Francisco, the only combined City and County in the State of California. The Treasurer, an elective office created by the City Charter in 1850, supervises a department of ten sections that receives over \$10.6 Billion annually.

The mission of the Office of the Treasurer & Tax Collector is to:

- Facilitate voluntary compliance with the tax laws of the City and County of San Francisco by simplifying all processes and procedures and by providing efficient and customer friendly service.
- Collect all taxes and fees due to the City.
- Provide safekeeping for all City funds, prudently investing the monies to achieve maximum yield with low risk and high liquidity.

The Office of the Treasurer & Tax Collector serves two broadly-defined functions for the residents of the City and County of San Francisco:

1. **The collection of taxes and other city revenue.**
Through the mail, in person at the City Payment Center, and via the Internet and other electronic means, the Department collects taxes and other obligations owed to the City including business

taxes, property taxes and fees for various business licenses and permits required by the Municipal Code. Tax Collection units collect over \$2 billion annually in property taxes, business taxes and license fees. Additionally, the Department investigates and collects unreported and delinquent tax obligations. Through the City Payment Center and the Bureau of Delinquent Revenue, the Department contracts to collect current and delinquent obligations owed to other City Departments, such as water and hospital bills.

2. **The oversight of monies before disbursement.**

The Treasurer manages all City funds in order to gain the maximum return with low risk and high liquidity, including investing the City's portfolio of pooled funds. The Treasurer works with all City departments to ensure that funds are received, deposited and reconciled as quickly and accurately as possible, providing the maximum interest and investment returns for the people of San Francisco. The Department administers and monitors the bank accounts and wire transactions used by all City agencies and contracts with banks for their services. The Treasurer also disburses payments on the City's General Obligation municipal bonds.

Highlights of 2003-2004

➤ **Yield Remains High:**

The annual yield of San Francisco pooled funds, managed by the Treasurer, was 1.89%, with the Treasurer executing \$29.5 billion in investment transactions.

➤ **Delinquent Revenue Collections Rise:**

Bureau of Delinquent Revenue collections increased 13.5% over the previous fiscal year, to over \$66 million. Business tax investigations generated increased revenue of 54.5%, or \$10,285,675.

➤ **Property Tax Delinquencies Remain Low:**

Property Tax achieved the lowest ever delinquency rate of secured property taxes at 1.19%. This represents a remarkable accomplishment considering the declining economy that affected the Bay Area and particularly the City and County of San Francisco.

➤ **Passport Services Increase Significantly:**

Passport Services processed 8,598 passport applications in 2003-04, representing a 5.7% increase from the previous year's total of 8,127. As a result, the Treasury passport services unit earned \$257,930 in revenue for the City, and continues to simplify the passport application process for thousands of travelers and new citizens.

➤ **Alarm Registration Fee Program Successful:**

The Office collected over \$2.2 million in Alarm Registration Fees and False Alarm Penalties for the Emergency Communications Department.

City Payment Center

The City Payment Center is a consolidated information and payment facility where taxpayers can conduct a multitude of City transactions in a user-friendly environment focused on providing premium levels of customer service. The City Payment Center staff provides guidance and direction regarding all City transactions, tax ordinances and outstanding City obligations. The Center also houses the Bay Area's leading passport acceptance facility.

The City Payment Center was created to:

1. Collect and process all City payments received from taxpayers by the Treasurer & Tax Collector's Office;
2. Provide substantive information and assistance to taxpayers, other members of the public, and City departments;
3. Establish a service-oriented unit dedicated to ensuring a positive environment for all customers.

The City Payment Center consists of four sections: a Service & Information Counter, Taxpayer Assistance, Passport Services, and Cashiering.

Taxpayer Assistance

The Taxpayer Assistance (TPA) section provides efficient and courteous help to San Francisco taxpayers via the phone and in person. The staff is cross-trained on all City tax procedures and places strong emphasis on customer service. This section embodies the Department's philosophy that customers' needs are a priority and that the public should receive quality service and accurate information.

During FY 2003-2004, approximately 27,000 taxpayers worked with TPA staff regarding their questions about business taxes, property taxes, business licenses/permits and general inquiries regarding starting a business.

During the fiscal year, TPA registered 10,442 new businesses, a 5% decrease from the last fiscal year. This decline is directly related to the state of the economy. In total, business registrations resulted in the collection of \$1,047,418 in registration fees and \$5.16 million in business taxes, penalties and interest.

In addition, the phone bank received more than 64,600 calls. According to our customer surveys, TPA received a 96% "Excellent" rating on its overall service.

To further assist taxpayers, The Treasurer's office houses an Automated Teller Machine (ATM), operated by the San Francisco Federal Credit Union. It is accessible to the blind and partially sighted and does not impose surcharges on customers.

City Payment Center

Passport Services

The Office of the Treasurer's U.S. Passport Application Acceptance facility opened in Fiscal Year 1999-00. Serving as authorized passport acceptance agents, department staff process U.S. passport applications and serves as an information resource for the public regarding passport issuance and legislation. The staff's excellent service has quickly made this the premier Passport Application Acceptance facility in Northern California and the primary referral by the San Francisco Passport Agency for passport services in the Bay Area.

Passport Services processed 8,598 passport applications in 2003-04, representing a 5.7% increase from the previous year's total of 8,127. As a result, the Treasury passport services unit earned \$257,930 in revenue for the City, and continues to simplify the passport application process for thousands of travelers and new citizens.

Service & Information Counter

Employees who staff the Service & Information Counter are cross-trained in San Francisco's property and business taxes, licenses, City services, passport processing and a wealth of other useful information. Staff members work with taxpayers to assess their needs and assist them or refer them to the appropriate sections within the Office of the Treasurer & Tax Collector. They act as liaisons on behalf of taxpayers with other City and County departments and serve as resources beyond City Hall regarding taxpayer issues.

Additionally, these staff members conduct outreach to a variety of community, neighborhood and business organizations, educating the public about local requirements and available City resources.

Mission:

To provide tax information effectively and expediently to taxpayers and other member of the public and city departments; to promote and perpetuate outstanding public relations as a service oriented unit; and to serve as the Office of the Treasurer & Tax Collector's primary public contact unit.

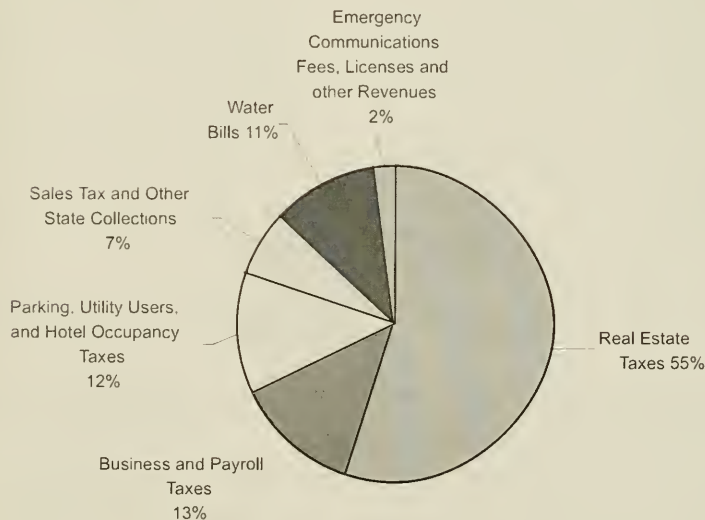
Cashiering

The Cashier Section is responsible for the acceptance and processing of all types of tax payments, registration and license fees. These items include payments received through the mail, presented in person, paid by credit card or wire, and via the Internet.

The Cashier Section processes payments for other City departments, including the Department of Public Works, Public Utilities Commission, and the Emergency Communications Department. This section also handles departmental deposits.

As part of the City Payment Center, the Cashier Section provides goods and services to the general public as well as to City employees. Cashiers issue Golf Resident Cards and sell swimming pool scrip tickets to the public on behalf of the Recreation and Parks Department. A host of public transportation passes and products are available for numerous transit services. City employees can purchase Airport Parking discount tickets and redeem Commuter Checks to save on local transportation.

Cashiering Collections 2003-2004



Cashiering

The Cashier Section is comprised of four areas, working together to process and post all payments:

- City Payment Center Cashier: accepts payments from taxpayers, sells transit items, issues taxi driver "A" cards and Golf Resident cards, receives department deposits and processes mail payments.
- Mailroom: sorts, opens and verifies all mail for the Treasurer & Tax Collector, Water Department and Port of San Francisco and distributes to designated departments.
- Remittance Processing: processes water bills and other tax payments using high-speed National Cash Register Remittance machines. This unit also researches water payments received without account numbers or payment stubs.
- Check Control and Research: researches and processes unidentified tax payments. Produces payment stubs for all sections of the Office of the Treasurer & Tax Collector.

Revenue Type	2003-2004	2002-2003
Real Estate Taxes	\$1,177,746,814	\$1,128,599,412
Business and Payroll Taxes	275,446,613	279,266,918
Hotel Occupancy Tax	145,205,857	132,282,976
Parking Tax	49,161,806	45,204,033
Utility Users Tax	72,305,174	66,188,207
Sales Tax and Other State Collections	147,351,332	145,041,028
Licenses	6,906,240	6,493,144
Water Bills	229,767,156	210,203,644
Emergency Communications Fees	24,199,581	18,118,046
Other	15,974,547	10,899,499
Total	\$2,144,365,120	\$2,042,296,907

Mission:

To collect and process all City payments received from taxpayers in an efficient and expedient manner; and to provide substantive information and assistance to taxpayers and other members of the public.

Investment Section

The Investment Section is responsible for investing the City and County's funds to ensure sufficient liquidity to meet all anticipated disbursements. The Section's main objectives are:

- preservation of capital
- liquidity to meet all disbursement requirements
- yield that is most favorable return on investments without compromising the safety of capital and liquidity

The Investment Section has consistently demonstrated prudent portfolio management with excellent results, executing approximately \$29.5 billion in investment transactions annually. Direct wire lines maintained by major investment houses enable the Chief Investment Officer to make investments on behalf of the City through rapid and competitive online bidding.

The Section is required to comply with the City's Administrative Code and Charter and

by the California State Government Code when purchasing investment securities. As such, there are no investments in stocks but only in Negotiable Certificates of Deposits, Commercial Papers, Bankers Acceptances, Federal Agency Notes and U.S. Treasury instruments.

The Investment Section also serves as the City's liaison to the banking community. It coordinates the implementation of any required banking service for any City department. These banking services include opening and closing bank accounts, installing credit card machines to accept credit card payments, opening lockbox accounts, implementing positive pay systems, negotiating bank courier services, and providing depository needs to various City departments. It also sends wire or ACH payments to various vendors and financial institutions on behalf of requesting departments. On the other side of transactions, the section provides any department the ability to accept wire payments or electronic funds transfers from their customers through the City's wiring account.

Yield Comparisons FY 2003-2004

San Francisco (Pooled)	1.890%
San Francisco (all funds)	1.859%
Average 90 Day US T bills	1.28%
San Diego (Pooled)	1.34%
Los Angeles (Pooled)	1.36%
State Local Agency Fund (Pooled)	1.53%

Banking and Treasury Accounting Services

Banking and Treasury Accounting Services is responsible for reconciling and accounting for the receipt and deposits of all revenues collected by the Office of the Treasurer & Tax Collector. These functions are completed in compliance with all applicable accounting standards.

The Unit is divided into two sections:

Banking Operations:

- Ensures that all monies collected from the State and through electronic fund transfers are recorded in FAMIS for various respective departments. This task includes daily notifications sent through fax or e-mail to affected departments for more detailed FAMIS recording.
- Accounts for and reconciles payments received through the Internet and IVR (Interactive Voice Response) system.
- Provides warrant verification to the City's banking institutions for warrant/check encashment purposes.
- Provides banking support services to various City departments such as check and deposit slip ordering, researching bank entries and providing related documentation.

Treasury Accounting Services:

Accounts for all monies received through direct bank deposits, mail center, electronic fund transfers, Internet payments, Port lockbox operations, and credit card payments.

- Reconciles the above receipts as recorded in FAMIS against deposits as reflected on the bank statements. Prepares bank reconciliation summaries for over 50 bank accounts under the Treasurer's group of accounts
- Processes various bank adjustments as well as returned items or 'Not Sufficient Funds' checks for all City departments
- Records and adjusts the department's accounting transactions in FAMIS
- Manages missing/absent heirs accounts, receives deposits and issues payments against claims under Section 11850-11854 of the Probate Code
- Oversees lease deposits and bequest documents sent by various City departments to the Treasurer for safekeeping
- Participates in the development of the department's annual budget

Business Tax Section

The Business Tax Section is responsible for the implementation and enforcement of the payroll expense tax, business registration fee, roofers vehicle tag fee, and third party taxes such as parking taxes, hotel taxes, utility users tax, emergency response fees, and stadium tax. The Section is comprised of two distinct units—the Audit Unit and the Account Services Unit. The Audit Unit primarily performs scheduled and unscheduled audits to promote taxpayer compliance with tax ordinances and to detect underreporting. The Account Services Unit reviews and processes all tax filings, business registration renewals, and prepayments. This unit also maintains taxpayer accounts on the computerized Business Tax System (BTS).

Audit Unit

The Audit Unit is comprised of 25 auditors divided into three audit teams. A Principal Auditor heads each audit team and has responsibilities for an alpha range of audits and a specific tax. The Audit Unit is primarily responsible for performing business tax compliance audits with the City's tax ordinances. Two audit teams are dedicated to performing business tax audits. The third audit team, besides performing payroll expense tax audits, concentrates on parking tax compliance audits.

Audit Performance

The audit teams generated \$8,061,941 in audit deficiency billings this fiscal year (see Table 1, Page 16). Eleven audits, totaling \$4,717,300, each generated billings in excess of \$250,000 (see Table 3). These top eleven audits generated 58.5% of the fiscal year's total billings.

Operational Highlights

- *Audit staff generated \$8,061,941 in audit deficiency billings during the fiscal year.*
- *The Business Taxes Section collected over \$4,785,738 from its audit deficiency billings during the fiscal year.*
- *The Business Tax computer system migration project and upgrades were completed in March 2004.*

Business Tax Section

**Table 1: Audit Deficiency Billings
FY 2002-03 vs. FY 2003-04**

Types of Audits	Fiscal Year		%
	2002-03	2003-04	Increase (Decrease)
Business/Payroll Tax	\$19,508,478	\$4,881,835	-75.0%
Parking Tax	\$944,556	\$2,717,963	187.8%
Hotel Tax	\$1,248,018	\$462,143	-63.0%
Total Audit Billings	\$21,701,052	\$8,061,941	-62.8%

**Table 2: Audit Impact for 5 Fiscal Years
FY 1999-00 through FY 2003-04**

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	5-Year Average
No. of Audits	906	681	400	438	515	588
Audit Hours	16,923	13,605	9,640	11,915	15,286	13,474
Average Hours per Audit	18.7	20.0	24.1	27.2	29.7	22.9
Audit Billings	\$4,639,124	\$9,319,767	\$5,083,304	\$21,701,053	\$8,061,941	\$9,761,038
Average Billing per Audit	\$5,120	\$13,685	\$12,708	\$49,546	\$15,654	\$16,600

**Table 3: Large Deficiency Audits(greater than \$250,000)
Fiscal Year 2003-04**

Taxpayer	Audit Type	Amount
Parking Operator	Parking Tax	\$ 917,700
Financial Services	Business/Payroll Tax	728,600
Parking Operator	Parking Tax	425,200
Financial Services	Business/Payroll Tax	381,000
Utility Provider	Business/Payroll Tax	373,800
Hotel Operator	Hotel Tax	368,100
Parking Operator	Parking Tax	352,800
Parking Operator	Parking Tax	307,900
Manufacturer	Business/Payroll Tax	296,900
Parking Operator	Parking Tax	283,100
Software Company	Business/Payroll Tax	282,200
Total		\$4,717,300

Business Tax Section

Out-of-Area Audits

During the last week of June 2003 and the first week of July 2003, two auditors performed audits in the Los Angeles vicinity. Eight audits generated a total of \$488,541 in audit deficiency billings.

Two auditors performed payroll expense tax and utility tax audits of several telephone providers in the Atlanta, Miami, and the New York-New Jersey areas during the year. These audits are ongoing and expected to be completed in the next fiscal year.

Account Services Unit

The Account Services Unit provides taxpayer account maintenance and related services for the Office of the Treasurer & Tax Collector. This unit is comprised of a team of fourteen permanent staff and six seasonal temporary employees. During the period from July 1, 2003 to June 30, 2004, the Account Services Unit's main responsibilities included administering, maintaining, and processing accounts for the following:

- Annual Business Registration Renewals
- Quarterly and Semi-Annual Payroll Tax Prepayments
- Annual Payroll Tax Filings
- Business Payroll Tax Determinations
- Requests for Waiver of Penalties & Reinstatement of the Small Business Exemption

- Requests for Taxpayer Refunds
- Quarterly & Monthly Hotel & Parking Taxes
- Monthly Utility Taxes
- Processing of Tax Credits (New Jobs, Enterprise Zone, Garment Manufacturer, and Summer Youth)

Year 2003 Annual Business Payroll Tax Statement Filing

For the year 2003 tax filing, staff prepared a total mailing of 82,969 statements, an increase of 3.5% from last year. From the number of statements mailed in year 2003, 7,888 accounts had Payroll Tax obligations posted to their accounts. The remaining accounts were all categorized as Small Business taxpayers.

Registration Renewals

92,402 Business Registration Renewal statements were mailed out for the FY 04-05 period compared to the FY 03-04 mailing of 91,616.

Determination Notices

Determination Notices were sent to 17,936 taxpayers who failed to file their 2002 Annual Payroll Tax Statement on time (of which only 984 were required to pay Payroll Taxes). Taxpayers were encouraged to file immediately to avoid the assessment of additional, more stringent penalties,

Business Tax Section

and collection activity. The amount of the determination is based on a formula that consists of several factors, such as the Growth Factor, Zip Code Factor and Ownership Factor.

Year 2003 Quarterly and Semi-Annual Business Payroll Tax Prepayments

Taxpayers are mailed either quarterly or semi-annual prepayments due the last day of April, July, and October for accounts with tax obligations exceeding \$50,000 in tax liability or semi-annual prepayments due the last day of July for tax obligations between \$2,500 and \$50,000. For the year 2003 prepayment filings, the Business Tax Section mailed a total of 9,042 notices compared to 8,904 last year, an increase of 1.5%.

Year 2003 Hotel Tax and Parking Tax Filings

The Account Services staff is responsible for the management of the City's Hotel Tax (Transient Occupancy Taxes) and City's Parking Tax. The Hotel Tax is collected from over 800 hotels (hotels, inns, motels, rooming-houses, etc.). The City's Parking Tax accounts for 25% and is collected from over 350 parking operators. These types of taxes are known as third party taxes as they pass from the consumer to the hotel or parking operator and then to the City and County of San Francisco. For FY 2003-04, 1,408 hotel tax statements were mailed compared to 1,409 last year, 907 parking tax statements were mailed compared to 942 last year.

Utility Users Tax and Emergency Response Statement Filings

1,795 Utility Tax Statements were mailed compared to 1,813 last year. Minor changes were made to the Utility Tax Statement in order to improve the uniformity of how taxpayers file their monthly returns. This effort allows staff to process accounts more efficiently when the correct information is provided in a format suitable for data entering purposes.

The Emergency Response filings for FY 03-04 yielded a response of 538 compared to 368 in FY 02-03. This increase is attributed to the efforts of staff to ensure that taxpayers registered with the Tax Collector. Emergency Response Fee rates increased for standard telephone lines from \$1.00 to \$1.25 per month, from \$7.50 to \$9.38 per month for trunk lines, and from \$135.00 to \$168.75 per month for high capacity trunk lines.

Requests for Waiver of Penalties

Annually, the Account Services Unit receives a number of requests for waivers of penalties. Taxpayers who make this request are usually delinquent in filing their tax statement for either current or prior year's filings of tax obligations. In the year 2003, the Account Services Unit received 799 requests for waiver of penalties. Of this amount, 747 were approved, 44 were denied, 1 is pending, and 7 were not applicable.

Business Tax Section

Comparative Summary of Key Responsibilities of the Account Services Unit

Tax Type	Payments Posted	\$ Amount Of Payments Posted	Statements Mailed
Payroll Tax 2003	7,830	\$231,316,915	82,969
Business Registration FY 04-05	66,882	5,282,719	92,402
Payroll Determination 2002	91	3,511,087	17,936
Payroll Tax 2004 Prepayments (Quarterly & Semi-Annual)	8,814	149,121,799	9,042
Hotel Tax 2004	1,344	154,248,803	1,408
Parking Tax 2004	841	43,596,901	907
Utility Tax 2004	1,789	67,484,651	1,795

Mission:

To implement and enforce Business Tax ordinances; to ensure taxpayer compliance through accurate and responsive account maintenance systems; to monitor voluntary compliance through a post-audit program; to promote revenue maximization.

Property Tax & Licensing

The Property Tax & Licensing Section bills, collects, records, and reports payments of secured and unsecured property taxes, special assessments and business license fees for the Health, Police, and Fire Departments as well as dog licenses for the Department of Animal Care and Control. The three major units of this section are Real Estate, Tax Redemption and Business License. During fiscal year 2003-2004, more than 425,000 property tax bills and statements including over 45,000 unsecured tax bills and 65,000 business license fee statements were mailed to taxpayers.

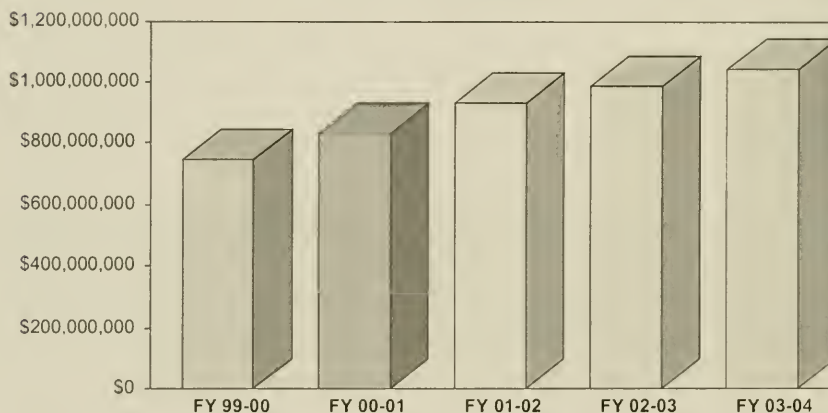
Real Estate Unit

The Real Estate Unit processes regular, escaped and supplemental tax bills throughout the year for both secured and unsecured taxes. It provides resolution

of issues and concerns involving property taxes to the public either in person, over the telephone or by correspondence. It also establishes and maintains complete records of payments made under the four-year installment payment plans for the secured and unsecured escaped assessments for prior fiscal years. This unit also collects various special assessments on the secured property tax bills including the rent board fees, apartment house, and hotel license fees.

The Real Estate unit is also responsible for processing refund requests for overpayments and duplicate payments of current and prior years' property taxes approved by the Assessment Appeals Board or the Assessor-Recorder's Office and authorized by the Controller's Office. This Section also administers the rent board fees program and provides assistance to taxpayers at the front counter.

**Secured Property Tax Revenue Collection
5-year Comparison**



Property Tax & Licensing

A. Secured Property Taxes

During fiscal year 2003-2004, collected property taxes increased by \$50,885,101, or 5 percent, as compared to the previous fiscal year. The increase in revenue collection was due largely to home-price appreciation and the maximum annual increase of 2% in property assessment value based on the Consumer Price Index (CPI).

B. Supplemental Property Taxes

Revenue collection of secured supplemental taxes during the fiscal year 2003-2004 decreased by \$9,444,800 or 22% as compared to the same period a year ago. The decrease in revenue collection of secured supplemental taxes was primarily due to a decline in the number of changes in ownership and a reduction in prior years' assessed values of commercial properties.

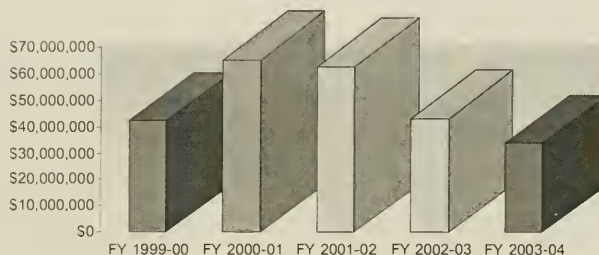
C. Special Assessments

The collection of Apartment House Licenses, Hotel Licenses and Rent Board fees on the Secured Property Tax bills continues to be exceptionally effective and efficient. The average delinquency rate for these special assessments was 1.01% during fiscal year 2003-2004.

II. Tax Redemption Unit

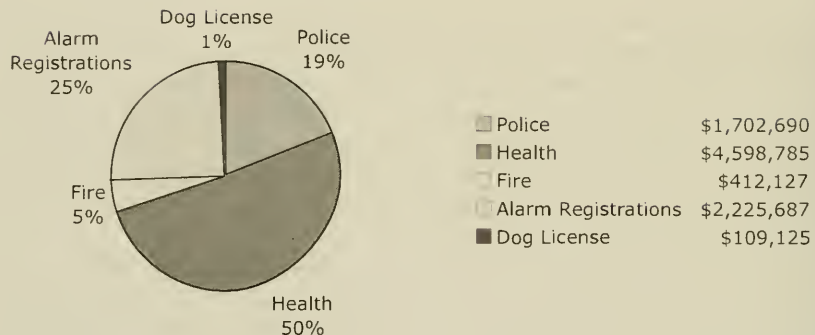
The Tax Redemption Unit processes and computes payments of prior years' delinquent secured property taxes. It also maintains complete records on taxes being paid under five-year installment payment plans. This unit is also responsible for publishing several notices throughout the year in a newspaper of general circulation as required by State law. It must also attempt to sell tax-defaulted properties at either public auction or sealed bid within four years after the property becomes subject to power to sell.

**Supplemental Property Tax Revenue Collection
5-year Comparison**



Property Tax & Licensing

Business License Fees Collected



III. Business License Unit

The Business License Unit bills, collects, records and reports business license fees mandated by the San Francisco Municipal Code, Part III. During fiscal year 2003-2004, this unit processed over 65,000 business license accounts for the Public Health, Police, Fire and Animal Care and Control departments. These included the new alarm registration fees and false alarm penalties totaling \$9,048,414, a 40% increase of \$2,556,688 from last fiscal year's revenue of \$6,491,726.

Business license fees that have been delinquent for more than 90 days are promptly reported to the regulatory departments for collection and/or possible revocation if they remain unpaid after the initial delinquent license notices.

Mission:

The Property Tax & License Section strives to serve the general public by providing timely and accurate property tax and business license information in a fair, legal and courteous manner.

Highlights Of Fiscal Year 2003-2004

- *Achieved the lowest ever delinquency rate of secured property taxes at 1.19 percent. This represents a remarkable accomplishment considering the declining economy that affected the Bay Area and particularly the City and County of San Francisco.*
- *Successfully collected over \$2.2 million in Alarm Registration Fees and the False Alarm Penalties for the Emergency Communications Department.*
- *Mailed more than 180,000 secured property tax bills by October 10, 2003, three weeks before the deadline set by State law.*
- *Processed over 8,000 requests for refunds of overpayments of all property taxes and business license fees within 30 days from the date a payment was made.*
- *Successfully conducted a public auction of secured real properties subject to the tax collector's power to sell on April 30, 2004. The total amount received at the public auction sale was \$571,267 including \$466,778 in excess proceeds.*
- *Implemented a newly created dog license web application that allows dog owners to purchase or renew their dog license online.*

Bureau of Delinquent Revenue

The Bureau Of Delinquent Revenue (BDR)

Revenue (BDR) is the official collection arm of the City and County of San Francisco. It is authorized to collect all accounts receivable over \$300 and at least 90 days overdue. Current departmental clients include San Francisco General Hospital, Laguna Honda Hospital, The Department of Public Works, the City Attorney, the Fire Department, the Mayor's Office of Community Development, and the Water Department.

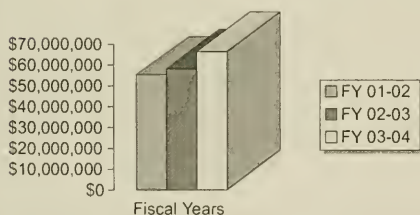
BDR staff is divided into five units, each of which has separate and distinct roles:

General Collections Unit

The General Collections unit processes delinquent accounts from various departments. A majority of accounts are referred from San Francisco General and Laguna Honda hospitals. In addition, various accounts are referred from the Department of Public Works, the Mayor's Office, Department of Recreation & Park, the Water Department and the Department of Elections.

The Collections unit's new clients include: The Environmental Control Office of Department of Public Works, Emergency

BDR Collections



Total 2001-02: \$54,882,577

Total 2002-03: 58,235,338

Total 2003-04: 66,081,498

BDR Highlights Of 2003-04

- *Collections increased 13.5% \$66,081,498*
- *Business tax surveys generated increased revenue of 54.5% \$10,285,675*
- *Added 3 new departmental clients*
- *Implemented new escrow fee*
- *Enhanced collection tools*
- *Issued RFP for delinquent collections*

Bureau of Delinquent Revenue

General Collections Unit	
San Francisco General Hospital	\$9,309,425
Ambulance	502,210
Via Collection Agency	454,661
Laguna Honda	478,072
Water Dept.	24,816
Mayors Office of Community Development	158,629
Trial Courts	2,618,699
Emergency Communications Department	22,298
Department of Public Works-ECO	19,485
Police	14,854
Adult Probation	15,244
Miscellaneous Fees	726,661
Other	21,637
TOTAL	\$ 14,366,691

Communication Department, and the San Francisco Housing Authority:

Since August 2002, the Office of the Treasurer & Tax Collector has been collecting all delinquent moving violation citations issued by the Trial Courts. In November 2003, the Trial Courts referred their backlogged cases for collection. Off site credit card processing was also designed to facilitate payments from the Hall of Justice. In FY 03-04, these collections generated \$2,618,699.

Escrow/Bankruptcy Unit

The Escrow/Bankruptcy unit researches, compiles data and files claims on outstanding debts owed to the City once escrow or bankruptcy is filed.

The research phase begins when notices are published or sent to the Escrow/Bankruptcy unit and the Unit conducts extensive database research. During fiscal year 2003-04, this research led to the successful collection of \$4,273,643.

Claims are directly related to the state of the economy. The significant increase is attributable to one particular account involving over \$2 million in real estate taxes. Otherwise, collections were comparable with last fiscal year, especially since staff decreased in this unit from three collectors to two.

Further, in a continuous effort to recover the cost of collection, in March 2003 BDR began charging an escrow fee of \$50 to title companies requesting a clearance from the department.

Bureau of Delinquent Revenue

Clearance/Business Tax Unit

The Clearance staff works with business owners, the Business Tax section and the Property Tax section to collect or resolve delinquent business-related taxes, such as payroll taxes, registration fees, and unsecured personal property taxes. All outcomes are resolved in a manner equitable to both the customer and the City. In a continued effort to collect delinquent business taxes, 4 new collectors were added to the Clearance Unit during the fiscal year.

Clearance collected \$34,587,137 in delinquent business-related taxes in FY 03-04. Clearance expanded its collections to include unsecured supplement taxes as well.

Investigations Unit

The Investigations unit ensures that taxpayers comply with City and State tax regulations. The unit operates in support of all sections in the Tax Collection Division. The Investigations unit is responsible for a wide range of enforcement activities such as surveys, surveillance, small claims filings, post-judgment execution, seizures, summary judgments, Franchise Tax Board offsets, complicated accounts, citations, business tax and Unsecured Personal Property tax liens and judgment renewals.

Surveys

Investigators are assigned to systematically research, inspect and interview city

businesses with potentially high revenue. Overall, approximately 14% of businesses surveyed were unregistered. This year, Investigations worked on a file purchased from the Franchise Tax Board pursuant to AB 63, which provided us with businesses on record with FTB to match our business records.

At full capacity, the unit has increased its productivity, particularly in the area of surveys. For fiscal year 2003-04, the unit collected a total of \$10,285,675 in surveys alone, as compared to the \$6,654,983 collected in FY 02-03.

Third Party Tax Enforcement

Surveillance at over 220 parking lots was conducted, generating \$25,132 in citation fees. With the access of the Geographical Information System from the Department of Telecommunications and Information Services, mapping of the parking lots will expedite enforcement and increase compliance in this area.

Clerical Unit

This sub-unit is responsible for providing all clerical work for the various units of BDR. Clerical staff conducts the initial screening of customers and determines the section or employee most appropriate to address the customer's questions. Clerical staff provides counter coverage on a rotational basis. Also, BDR has set a goal requiring each clerk to be cross-trained to handle and/or assist any unit that needs staff support.

Bureau of Delinquent Revenue

Counter activity continues to increase.

Clerical staff provided initial customer service to 21,676 customers as compared to 20,962 for last fiscal year. Further, clerical staff coordinated the issuance of over 163,700 notices, an increase of 41% from last fiscal year.

Mission:

To serve with expertise in all collection matters; to recover debts accrued; to enforce the local ordinances and achieve compliance therewith, while providing efficient, effective and equitable service and support to the public and to the business community.

Accounting

The Accounting Section provides accounting and support services to the Department. It batches, balances, posts and performs daily and monthly reconciliation of tax collections for real estate, unsecured personal property and business taxes.

Following reconciliation, the Accounting Section reviews transactions on the Financial Accounting Management Information System (FAMIS) to assure the proper posting of revenues, initiating corrective entries whenever necessary. The unit closely monitors collections and related financial activities that involve tax collections. Other responsibilities include various statistical reports for the Department.

The Accounting team is grouped according to function: Real Property Taxes (Secured and Unsecured), Supplemental Taxes (Secured

and Unsecured), Redemption Payments, Property Installment Payments and Business Taxes, which include payroll, hotel, utility, parking, emergency response fees, business registration fees, stadium taxes and roofers fees.

The two primary goals of the Accounting Section are

- 1) to provide adequate internal control systems to safeguard the City's assets; and;
- 2) to assist the Office of the Treasurer & Tax Collector in improving the Department's efficiency and productivity.

Mission:

To better serve the public through increased accounting efficiency and to reconcile all accounts in an accurate and timely fashion.

Legal Section

Statistical Report by Activity and Collection Amount

	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04
Complaints and Responsive Pleadings Filed	5	7	5	4	0
Abstracts & Liens Recorded	5	1	1	1	4
Hospital Liens Collected	\$688,562	263,531	291,921	619,485	568,277
Bankruptcy Cases Transferred	14	17	8	9	16
Creditor Claims Resolved	\$193,303	958,728	351,313	915,331	6,467,504
TOTAL RECOVERY	\$2,355,68	\$3,084,31	\$2,220,207	\$1,542,578	\$1,971,467

The Legal Section pursues collection litigation on delinquent accounts that fall under the Office of the Treasurer & Tax Collector's jurisdiction, becoming involved only when all other collection efforts have failed. This section also responds to legal challenges against the Office of the Treasurer & Tax Collector – primarily claims in bankruptcy, judicial foreclosure and hospital lien cases. In addition, this section serves as the legal advisor on collection-related issues to both the Tax Collector and section supervisors.

Litigation Activity:

- 2 judgments entered
\$4,614,194
- 1 judgment satisfied after full payment
\$343,182
- 5 judgments renewed
\$1,847,015
- 3 cases dismissed after successful resolution

Legal Section successfully litigated to judgment 6 hotel tax claims against 5 interrelated corporate hotel operators and then litigated the same tax liability to

judgment against the controlling individuals in the United States Bankruptcy Court.

BDR – Hospital Cost Recovery Liens

- \$568,277 Collected

This collection level is the result of zealous and effective advocacy by Legal Section attorneys in negotiating and litigating payment on third party and Worker Compensation Appeals Board lien cases.

Bankruptcy Litigation

- 16 cases referred
\$4,518,953
- 16 cases successfully completed
\$6,467,504
- 34 cases in inventory
\$11,222,287

Legal Section represents the Bureau of Delinquent Revenue whenever a creditor claim or a tax lien is in jeopardy of not being paid in the course of a bankruptcy. Legal Section responds most frequently to objections to creditor claims by the debtor, another creditor, or the bankruptcy trustee.

Legal Section

Legal Section also opposes attacks on tax claims, liens and other bankruptcy-related improper treatment of tax claims in business debtor reorganization or Chapter 13 plans, and reclassification and/or subordination of tax claims. Sixteen bankruptcy cases were successfully resolved during the fiscal year, preserving the Department's right to collect \$6,467,504 in bankruptcy creditor claims.

Legal Section also obtained dismissal of two bankruptcy lawsuits against the City, demanding total payment of \$57,025. These cases were vigorously prosecuted, and the experience from their successful defense will serve as a reference for expeditious disposition of future cases of this type.

Non-Litigation Collection Activities

- 3 cases collected in full
\$623,320
- 4 installment payment cases fully collected
\$558,260
- 3 consensual liens paid in full
\$60,818

Legal Section attorneys collected a total of \$623,320 by direct negotiation with the debtors. Closely related to bankruptcy and included in this total is assignment for the benefit of creditors, where an insolvent entity transfers its assets to a neutral party for pro-

rata distribution to creditors. Legal Section successfully negotiated the recovery of more than \$100,000 in one such case during the fiscal year.

Administrative Support Activities

- Represented Business Tax Section at Tax Collector Administrative Hearings in support of three parking tax determinations which assessed \$932,290 in delinquent taxes.
- Implemented administrative collection procedure under City Tax Code to obtain assignment of the tax debtor's contract payments from a third party to the department - the first time that this administrative collection procedure was successfully used.
- Throughout the year Legal Section prepared administrative records subpoenas for use by Business Tax auditors in support of audits of major telecommunication companies.

Legal Advice

Staff attorneys respond to legal inquiries from other Tax Collector sections throughout the year. The attorneys prepare major legal advice memoranda in addition to providing informal case advice and settlement recommendation.

Mission:

To provide litigation services in all cases under the Tax Collector's jurisdiction where court action is the only effective collection tool and to provide legal advice to the Tax Collector and section supervisors on collection-related issues.

Administration Section

The Administration Section

provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector. These services include personnel, payroll, purchasing, information services, departmental accounting, budget preparation, and general administrative services.

The section also responds to requests for reports for the Mayor, Board of Supervisors, citizen interest groups and individuals, and other City departments.

Budget Management

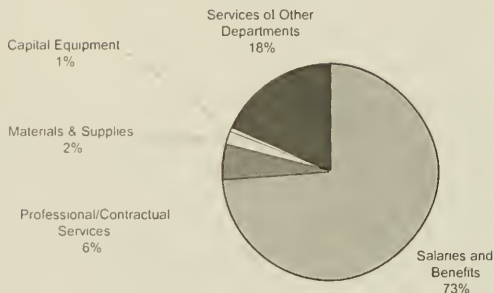
The Department's annual budget request is developed by budget staff and senior managers in collaboration with the managers of nine separate operating sections. The final budget appropriation for FY 03-04 totaled \$19.4 million.

Personnel Management

The Personnel staff assist managers in the recruitment and hiring of personnel and in addressing disciplinary matters in a fair and equitable manner. Ten hiring campaigns were conducted this year.

Most importantly, the Payroll Clerk processes daily attendance data and prepares and submits bi-weekly time rolls.

Operating Budget FY 2003-04



The staff also prepares and presents orientation for new employees and training sessions on such matters as harassment prevention, sensitivity to the needs of individuals in protected categories, illness and injury prevention, and in the basics of handling day-to-day personnel issues and complaints.

Departmental Accounting

The Administration Section is responsible for accounts payable and for monitoring and analyzing spending patterns and historical data as part of the budget preparation process.

Purchasing and Supply Management

Staff provides support to all sections by ordering office supplies, equipment and other minor furnishings, arranging for maintenance of copiers and other office equipment, and managing a large inventory of forms, envelopes and statements.

Mission:

To provide effective support services to the Office of the Treasurer & Tax Collector.

Management Information Services

The Management Information Services Section

provides centralized support services for computer and information system needs. Staff of this section is responsible for the system administration of the Department's local area network (LAN) and wide area network (WAN) services. The section is also responsible for the procurement of services, hardware, software and data processing supplies, and for administering the hardware and software maintenance agreement for all systems.

The section oversees projects for the enhancement of the Delinquent Revenue's Columbia Ultimate Business System (CUBS) and the Cashiering's ItemAge system (NETVANTAGE).

The department's Citrix terminal server allowed remote network connectivity through dialup access and virtual private network (VPN) Internet connection to the department's network resources (i.e. email, mainframe, AS/400, Unix, office files, CUBS). The Department of Telecommunications and Information Services (DTIS) provides the main point of entry for this application. The department plans to expand these resources in a wireless environment providing real time

information for auditors and investigators conducting fieldwork.

Specialized applications used by the department include:

- Cardiff Teleform Information Capture System
- Alchemy Imaging
- Columbia Ultimate Business System
- Netvantage-ITEMAGE
- Anacomp-Alva
- Timeslip
- Compulaw
- SmartLaser2000
- EPISUITE Pro
- Macromedia: Dreamweaver4 and Fireworks4 Studio
- Patton & Patton Flow Charting 5
- GIS/ARVIEW software (MAPINFO)

Mission:

To support the various Information Technology needs of the Department by providing high levels of customer service, maximizing revenue collection and providing the necessary management tools and services required to increase staff productivity and efficiency.

Management Information Services

The MIS Section coordinates custom programming issues, service requests, production support maintenance and

security issues with the Department of Telecommunication and Information Services (DTIS), vendors and consultants.

Highlights Of Fiscal Year 2003-2004

- *Assisted in the application of a database used by the new False Alarm Unit*
- *Upgraded desktop stations to Windows 2000 and Windows XP*
- *Coordinated with Department of Telecommunications and Information Services in the administration of a new Business Tax system; Identified inefficiencies and created continuous process improvement, enhancing program productivity*
- *Upgraded the Business Tax Server to the Windows 2000 operating system and upgraded the Teleform software for scanning BTS forms*
- *Designed, developed and deployed the new online dog license renewal program in collaboration with the SPCA and Animal Care & Control*
- *Redesigned the Department's intranet server, TTXCENTER, for easy navigation and more functionality*
- *Procurement of software upgrades and licensing to keep up with the latest technology*
- *Consistently updated the property tax bill CD-ROM for fiscal years 1993 through 2003, allowing staff to print prior tax bills without the use of microfiche machines*
- *Continuous improvements on MS Access database application for tracking passport applications*

Treasurer José Cisneros

In September 2004, Mayor Gavin Newsom appointed José Cisneros as Treasurer for the City and County of San Francisco. As Treasurer, he serves as the City's banker and chief investment officer, managing all tax and revenue collection for San Francisco.

Finding new sources of revenue and closing the budget gap is Treasurer Cisneros' top priority. Since taking office, this strategy has resulted in the collection of millions in increased revenues – far exceeding targeted projections. By closing loopholes and collecting money owed to the City the Treasurer is ensuring that everyone pays their fair share. This means more services for the people of San Francisco, and lessens the pressure to increase taxes.

Treasurer Cisneros strongly believes that his role of safeguarding the City's money extends to all San Francisco residents. In January of 2005 Treasurer Cisneros led the implementation of the Working Families Credit Program, an innovative public/private partnership providing a tax credit to qualified San Francisco families. So far, more than 11,000 of the City's lowest-income working families have applied for the program, which provides a match to the federal Earned Income Tax Credit. Treasurer Cisneros continues to expand his role as a financial educator and advocate for low-income San Franciscans through creating innovative programs aiming to give all city residents access to a bank account and lessen the need for check cashers and payday lenders.

Prior to his appointment, Treasurer Cisneros served as Deputy General Manager for the San Francisco Municipal Transportation Agency. In this capacity, he managed



MUNI's \$7 billion capital program designed to repair, replace and enhance system assets – including the 3rd Street Rail extension serving Chinatown, Mission Bay and the residents of Bay View and Hunters Point. Before working at MUNI, Treasurer Cisneros served as a member of the MTA Board of Directors and was instrumental in creating Proposition E, the Muni Reform Charter Amendment.

Treasurer Cisneros has a strong business background in the private sector, previously working for IBM Corporation and Lotus Development Corporation as a Senior International Product Manager. Prior to this, he was an Assistant Vice President at Bank of Boston where he managed financial product portfolios valued at over \$100 million.

José Cisneros received his Bachelor of Science from Sloan School of Management at the Massachusetts Institute of Technology (MIT) and studied for his MBA at Boston University.

George Putris, Tax Administrator

George Putris is a lawyer who has spent his career specializing in taxation law. Through both private practice and public service, he has gained extensive experience in the areas of federal income taxation, property taxation, state and local taxation, tax litigation, municipal finance, tax-exempt organizations and tax legislation. Immediately prior to undertaking the position of Tax Administrator, Mr. Putris practiced law in the San Francisco City Attorney's Office, where, as Deputy City Attorney, he served primarily as counsel to the Office of the Treasurer & Tax Collector.

Mr. Putris places a high value on efficiency, simplicity and fairness in the administration of the various tax services and regulatory functions performed by the Office of the Treasurer & Tax Collector. He believes that sound tax policy encourages voluntary compliance with the law, and that sound tax administration enhances the City's attractiveness as a place for businesses to locate their facilities and jobs. He is committed to revitalizing the policies and procedures that enable taxpayers to take full advantage of the services offered by the Office of the Treasurer & Tax Collector.

Mr. Putris is a graduate of the Martin Luther King, Jr. School of Law at the University of California, Davis. He also has an LL.M. degree in Taxation Law from New York University. He received his BA degree from the University of California, Berkeley. Mr. Putris is a member of the California Bar Association.



Pauline Marx. Chief Assistant Treasurer

As Chief Assistant Treasurer,

Pauline Marx serves as Deputy to José Cisneros in administering the operations of the Office of the Treasurer & Tax Collector, formulating citywide financial policies, the Department's budget and controlling the receipts, management and disbursement of City funds.

Pauline Marx joined the Office of the Treasurer and Tax Collector in January, 2005 after serving nine years with the City of Emeryville as Finance Director and Treasurer. In Emeryville her duties included management of the City's accounting and revenue collection functions, budgeting, debt and investments, and the City's information technology efforts.

Pauline Marx grew up in New York City. She has a bachelor's degree from the University

of Michigan and an MBA from Yale School of Management. She has lived in the San Francisco bay area since 1979, working for both the private

sector and the public sector, always focusing on the intersection of business and public policy at the local government level.



Daniel Patrick Daly, Chief Investment Officer

Daniel Patrick Daly commenced employment with the City and County of San Francisco in the newly created position of City Cash Manager in June of 1980. In June of 1981, he was promoted to the Chief Investment Officer. During his tenure, the City "Pooled Portfolio" has grown from \$500mm to the present portfolio of \$3 billion dollars. In the past ten years City's investment performance has consistently generated yields in excess of the major counties within the State of California (including the California State Pool Portfolio). The ten-year average is 5.198%.

In addition to his investment duties, Dan also directs the banking relationships for the City and County and is a trustee of the Transport Workers Union Municipal Railway Trust Funds.

Prior to joining the Treasurer's Office, Mr. Daly worked for Citibank in New York City as an Assistant Vice President for marketing



in midtown Manhattan. Mr. Daly also worked as a Vice President for First Interstate Bank (now Wells Fargo) managing securities broker-dealer relationships in both Northern California and New York City. Dan served as a Vietnam Veteran in the U. S. Marine Corp and is an alumnus of Fordham University.

Contacts

Treasurer	Jose Cisneros
Tax Administrator	George Putris
Chief Assistant Treasurer	Pauline Marx
Chief Investment Officer	Daniel Daly
Assistant to the Treasurer	Leigh Phillips
Policy and Legislative Manager	David Augustine

Section Managers:

Accounting Section	Manuel Valle
Administration Section	Gail Hemenway
Bureau of Delinquent Revenue	Florence Mar
Business Tax Section	Mark Buckley
Cashiering Section	Sonia Martinez
Customer Payment Center	DJ Dull
Investments	Daniel Daly
Legal Section	Robert Fletcher
Management Information Section	Darrell Ascano
Property Tax & License Section	Francis Nguyen
Taxpayer Assistance Section	Anita Jin



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ANNUAL REPORT

FISCAL YEAR 2004-2005



GOVERNMENT
DOCUMENTS DEPT

JUN - 8 2012

Office of the Treasurer & Tax Collector
Hon. José Cisneros, Treasurer
City and County of San Francisco

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LETTER FROM TREASURER JOSÉ CISNEROS



Welcome to the 2004-2005 Annual Report for the Office of the Treasurer and Tax Collector. After my appointment by Mayor Newsom in fall 2004, in November of 2005 I was elected by the people of San Francisco to serve as Treasurer - the City's banker, tax collector, collection agent and investment officer. I am proud to have been entrusted to this important role by the San Francisco voters, and am equally proud to be able to report on an extremely successful first year in office.

We have made great progress in our efforts to financially empower lower-income San Franciscans. In its first year, the Working Families Credit program, launched by Mayor Newsom and myself in January 2005, received over 11,000 applications and checks averaging \$220 were mailed to 9,700 eligible San Francisco families. What does this mean for our city? Working Families Credit recipients brought over \$20,000,000 in federal funds to San Francisco which was matched with an additional \$2,000,000 from the City and our philanthropic partners. This is a vital injection of cash to the neighborhoods that need it the most.

In addition to expanding the role of Treasurer to include financial justice and empowerment programs, our core functions of tax collecting, delinquent revenue collection, and investing and managing the city's money, have continued to exceed our already high standards.

This fiscal year, our property tax delinquency rate was the lowest ever in San Francisco history, at 1.10%. This means that almost 99% of property tax payments were made on time, a direct reflection of our commitment to efficiency and high levels of customer service. The unsecured personal property tax delinquency rate also fell to a record low of 2.5%.

Our delinquent revenue collections grew to \$59,218,089 this year – an increase of over \$30 million in just seven years. Due to this success and our demonstrated expertise in the area of collections, we also took control of collecting Development Impact Fees for the Department of Building Inspection, the Planning Department and MUNI.

Despite a fluctuating financial market, the Department's yield continues to be among the highest in our California peer group. This is due to an investment strategy which is conscientiously and adeptly managed. We have also installed an exciting new Internet banking tool called Bank of America Direct, which allows City and County departments to obtain reports and search for payments relating to bank deposits, credit card activity and wire payments.

The Office of the Treasurer continues to offer high levels of service to taxpayers and to safeguard our City's money. In addition, we are increasing our efficiency through innovations in process and technology. I am proud to provide these services to San Francisco, and I look forward to expanding on our achievements in the years to come.

STATEMENT OF PURPOSE

Treasurer José Cisneros and his staff serve as the City's banker, tax collector, collection agent and investment officer for the City and County of San Francisco, the only combined City and County in the State of California. The Treasurer, an elective office created by the City Charter in 1850, supervises a department of ten sections that processes millions of transactions annually.

The Office of the Treasurer & Tax Collector serves two broadly-defined functions for the residents of the City and County of San Francisco:

Mission

The mission of the Office of the Treasurer & Tax Collector is:

- To facilitate voluntary compliance with the tax laws of the City and County of San Francisco by simplifying all processes and procedures and by providing efficient customer service;
- To collect all taxes and fees due to the City; and
- To provide safekeeping for all City funds, prudently investing the monies to achieve maximum yield with low risk and high liquidity.

1. The collection of taxes and other city revenue.

Through the mail, in person at the City Payment Center, and via the Internet, the Office of the Treasurer & Tax Collector collects taxes and other obligations owed to the City including business taxes, property taxes and fees for various business licenses and permits required by the Municipal Code. Tax Collection units collect over \$2 billion annually in property taxes, business taxes and license fees. Additionally, the Office of the Treasurer & Tax Collector investigates and collects unreported and delinquent tax obligations. Through the City Payment Center and the Bureau of Delinquent Revenue, the Office of the Treasurer & Tax Collector contracts to collect current and delinquent obligations owed to other City Departments, such as water and hospital bills.

2. The oversight of monies before disbursement.

The Office of the Treasurer & Tax Collector manages all city funds in order to gain the maximum return with low risk and high liquidity, including investing the City's portfolio of pooled funds. The Treasurer works with all City departments to ensure that funds are received, deposited and reconciled as quickly and accurately as possible, providing the maximum interest and investment returns for the people of San Francisco. The Treasurer administers and monitors the bank accounts and wire transactions used by all City agencies, contracts with banks for their services and disburse payments on the City's General Obligation municipal bonds.

HIGHLIGHTS OF FISCAL YEAR 2004-2005

Working Families Credit Program:

Working in conjunction with the Mayor's Office, the Office of the Treasurer and Tax Collector implemented and established the Working Families Credit Program which assists low income working families by providing a local percentage match to the federal Earned Income Tax Credit (EITC). The Working Families Credit Program received over 11,000 applications and checks averaging \$220 were mailed to 9,700 eligible San Francisco families. In total, Working Families Credit recipients received over \$20,000,000 in federal funds and an additional \$2,000,000 from the City. Fourteen local banks and credit unions agreed to cash these checks for free and to open free bank accounts for Working Families Credit recipients.

High Number of Transactions and Dollars:

The Cashier Section processed 1.4 million transactions totaling \$2.317 billion during the fiscal year. The majority of these were water bill and property tax payments.

Property Tax Delinquency Rate 2nd Lowest in State:

Through high level customer service and extraordinary dedication demonstrated by staff during the past fiscal year, the property tax section helped the City and County of San Francisco achieve the lowest ever delinquency rate of secured property taxes at 1.10%; the second lowest in the state, down from 1.19% a year ago.

Decrease in Unsecured Personal Property Tax Delinquency Rate:

Unsecured Personal Property tax (UPP) delinquency rate for the Fiscal Year 2004-05 decreased from 3.8% (FY 2003-04) to 2.5%, which is a record low.

Additional Hotel Taxes Collected:

In November 2003, the Tax Administrator issued Regulation 1.504-1, clarifying the tax treatment and the interpretation of the use or possession of hotel guest rooms that are subject to the transient occupancy tax (Hotel Tax). This includes all furnishings, services and accommodations accompanying the use and possession of any room, parking and valet services. In Fiscal Year 2004-05, Hotel Tax increased by \$4,274,665 as a result of the parking services.

Delinquent Collections:

Total delinquent revenue collected for Fiscal Year 2004-05 totaled \$59.2 million, a \$6.8 million decrease from \$66.1 million collected in Fiscal Year 2003-04.

Additional Collection of Development Impact Fees:

Due to its existing infrastructure and demonstrated success in collections, the Office of the Treasurer & Tax Collector took over the collection of Development Impact Fees from the following departments: Building Inspection, Planning and MUNI.

Maintenance of High Yield of Investment Despite Economy:

Annual yield continues to be among the highest in its peer group despite a financial market that continues to fluctuate dramatically.

Bank of America (BA) Direct:

The Investment Section installed a new banking Internet service that allows City and County departments to obtain reports on bank deposits and credit card activity, and to search for incoming and outgoing ACH and EFT wire payments. At end of Fiscal Year 2004-05, 40% of City departments had the BA Direct program installed. It is anticipated that additional City departments will be added to the system and allow the departments to have increased efficiency in their daily activities.

Journal Entry Tracking System:

The Investment Section implemented a tracking system to provide each section of the department accurate and timely recording of revenues to the online Controller's Financial Accounting Management Information System (FAMIS) program.

NSF Tracking System:

The Investment Section developed a new approach for bounced check tracing, enabling proper recording, verification and accurate reporting.

CITY PAYMENT CENTER

The City Payment Center was officially established in 1999 as a consolidated information and payment facility focused on providing premium levels of customer service.

The primary goals of the City Payment Center are:

- To provide a user-friendly environment for taxpayers, City departments, City employees and the general public to make payments, transact business, and receive tax information effectively and courteously;
- To centralize a broad array of City and community payments and transactions into a "one-stop-shop"; and
- To serve as the Office of the Treasurer & Tax Collector's primary public contact unit.

City Payment Center staff members provide guidance and direction regarding City transactions, tax ordinances and outstanding City obligations. The City Payment Center also service the broader community by operating the Bay Area's primary acceptance facility for U.S. passport applications, and serving as an authorized vendor for numerous Bay Area transit passes, Golf Resident Cards, San Francisco swimming pool scrip tickets, and various transit-related products to the public as well as products for City employees.

The City Payment Center consists of two sections: Taxpayer Assistance (which includes staffing of a Service & Information Counter and Passport Services) and Cashiering.

TAXPAYERS ASSISTANCE

Taxpayer Assistance (TPA) staff are cross-trained in San Francisco's property and business taxes, licenses, city services, passport processing and a host of other useful services. Staff members work with taxpayers to assess their needs and assist them or refer them to the appropriate section within the Office of the Treasurer & Tax Collector. They act as liaisons on behalf of taxpayers with other City and County departments and serve as resources beyond City Hall regarding taxpayer issues.

Service & Information Counter

Staff members provide efficient and courteous help to San Francisco taxpayers in a variety of capacities – in person at the City Payment Center, via a 45-hour-per-week call center, and via written communications. This section embodies the Department's philosophy that customers' needs are a priority and that the public should receive quality service and accurate information in a timely manner. During Fiscal Year 2004-05, TPA assisted approximately 102,000 taxpayers with their business taxes, property taxes, business licenses/permits and general inquiries regarding starting a business. TPA also registered more than 10,000 new businesses, while the phone bank staff responded to more than 57,000 callers. Respondents to a customer survey conducted in 2004-05 rated TPA's overall service as either "Excellent" or "Good", which further demonstrates TPA's high commitment to customer service.

Additionally, staff members conducted outreach to a variety of community, neighborhood and business organizations, educated the public about local requirements and available City resources. During FY 2004-05, these staff members conducted or participated in leading 32 different informational seminars, including a monthly hour-long workshop on "Starting a Small Business in San Francisco."

Passport Services

The Office of the Treasurer & Tax Collector U.S. Passport Application Acceptance facility opened in fiscal year 1999-00. Serving as an authorized passport acceptance agent, the Department processes U.S. passport applications and serves as an information resource for the public regarding passport issuance and legislation. The staff's excellent service quickly made this the premier passport acceptance facility in Northern California and the primary referral by the San Francisco Passport Agency for passport services in the Bay Area.

During FY 2004-05, Office of the Treasurer & Tax Collector U.S. Passport Services Unit processed 9,278 passport applications, an 8% increase over the previous year's total, and earned \$278,280 in revenue for the City. The Passport Services Unit continues to simplify the passport application process for thousands of travelers and new citizens.

CITY PAYMENT CENTER

CASHIER SECTION

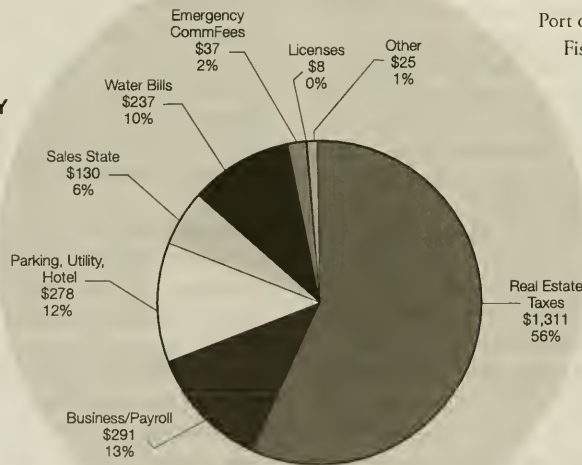
The Cashier Section is responsible for the acceptance and processing of all types of tax payments, registration and license fees. These items include payments received through the mail, presented in person, paid by credit card or wire, and through the Internet. The Cashier Section also processes payments for other city departments, including Department of Public Works, the Public Utilities Commission, and the Emergency Communications Department. Additionally, the Cashier Section also receives departmental deposits.

As part of the City Payment Center, the Cashier Section provides goods and services to the general public as well as to City employees. Cashiers issue Golf Resident Cards and sell swimming pool script tickets to the public on behalf of the Recreation and Park Department. Public transportation passes and products are available for numerous transit services.

The Cashier Section is comprised of four units, which work together to process and post all payments:

1. City Payment Center: accepts payments from taxpayers, sells transit items, issues taxi driver "A" cards and Golf Resident cards, receives department deposits and processes mail payments.
2. Mailroom: sorts, opens, verify, and distribute mail for the Office of the Treasurer & Tax Collector, Water Department and Port of San Francisco. During Fiscal Year 2004-05, the mailroom sorted, opened and distributed 1.1 million pieces of mail.

**Cashier Collections FY
2004-2005
\$ Millions**

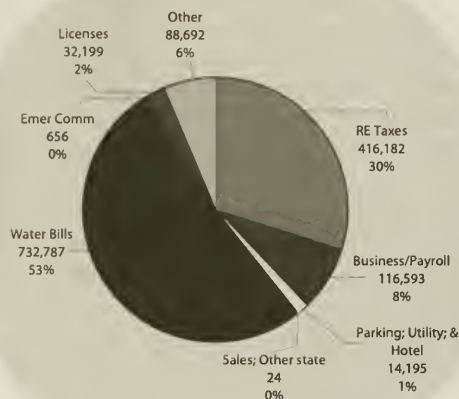


3. Remittance Processing: processes water bills and other tax payments using high-speed National Cash Register (NCR) Remittance machines. This unit also researches water payments received without account numbers or payment stubs.

Water payment bills comprise the majority of items processed, comprising more than 52% of all transactions processed. During Fiscal Year 2004-05, \$237.2 million was collected for the Water Department. The total number of items processed by the Remittance Unit was significantly lower than the previous year with the number of water bills processed decreasing by 32,000 items. Conversely, the amount collected for this period increased by approximately \$7.4 million.

4. Check Control and Research: researches and processes unidentified tax payments and produces payment stubs for all sections of the Office of the Treasurer & Tax Collector. During Fiscal Year 2004-05, Check Control and Research processed 85,000 items.

Cashier Collections FY 2004-2005 Number of Items Processed



During Fiscal Year 2004-05, the Cashier Section processed 1,401,328 transactions totaling \$2.317 billion.

Cashier Collections for Fiscal Year 2004-05

Revenue Type	Items	Dollars
Real Estate Taxes	416,182	\$ 1,310,547,775
Business and Payroll Taxes and Fees	116,593	291,283,614
Parking, Utility Users, and Hotel Occupancy Taxes	14,195	277,944,469
Sales Tax and Other State Collections	24	130,467,528
Water Bills	732,787	237,206,052
Emergency Communications Fees	656	36,737,909
Licenses	32,199	8,296,390
Other	88,692	25,075,160
Total	1,401,328	\$ 2,317,558,897

PROPERTY TAX & LICENSING

The Property Tax & Licensing Section bills, collects, records, and reports payments of secured and unsecured property taxes, special assessments and business license fees for the Health, Police, and Fire Departments as well as dog licenses for the Department of Animal Care and Control. The three major units of this section are Real Estate, Tax Redemption and Business License. During Fiscal Year 2004-2005, more than 444,000 property tax bills and statements including over 40,000 unsecured tax bills and 65,000 business license fee statements were mailed to taxpayers.

REAL ESTATE UNIT

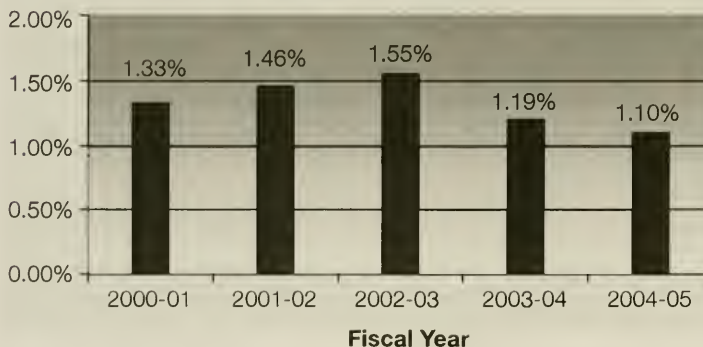
The Real Estate Unit bills and processes payments for regular, escaped and supplemental tax bills throughout the year for both secured and unsecured taxes. It provides resolution of issues and concerns involving property taxes to the public either in person, over the telephone or by correspondence. This unit also collects various special assessments on annual secured property tax bills including the rent board fees, apartment house and hotel license fees.

The Real Estate unit is also responsible for processing refund requests for overpayments and duplicate payments of current and prior years' property taxes approved by the Assessment Appeals Board or the Assessor-Recorder's Office and authorized by the Controller's Office as well as the rent board fees program, alarm registration fees, false alarm penalties, dog license fees and other business license fees and provides in person assistance to taxpayers at the front counter.

Secured Property Taxes

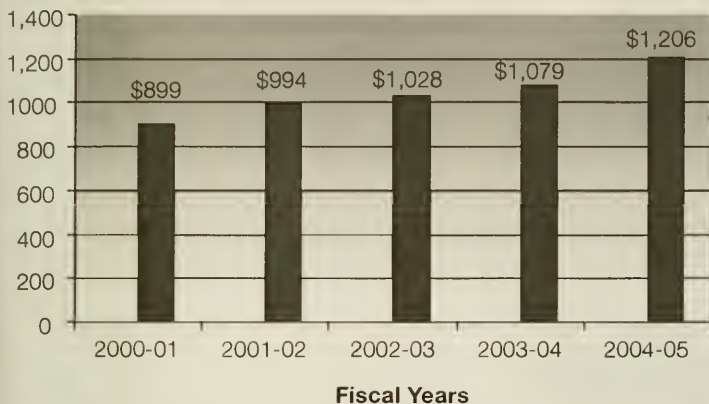
During Fiscal Year 2004-2005, the revenue collection of property taxes increased by \$127.6 million, or 12%, from the previous fiscal year. This increase in revenue collection was largely due to the general home-price appreciation and the annual increase in property assessment value based on the Consumer Price Index (CPI). It was also attributed to the increase in the number of parcels due to condominium conversions and new constructions. The Property Tax Section achieved the lowest delinquency rate on secured property taxes ever at 1.10%.

**Secured Property Tax Delinquency Rate
5-Year Comparison**



Secured Property Tax Revenue Collection 5-Year Comparision

\$ Millions

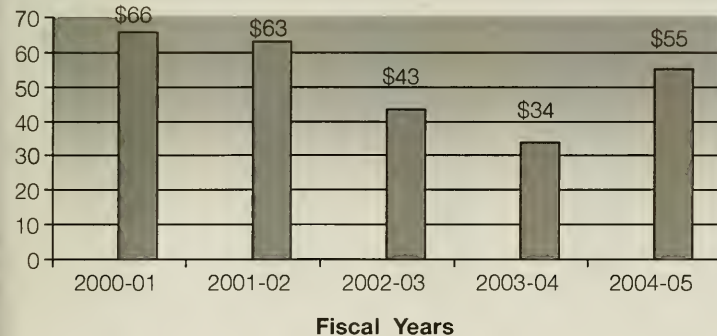


Supplemental Property Taxes

Revenue collection of the secured supplemental taxes during fiscal year 2004-2005 increased by \$21 million, or 64%, as compared to the same period a year ago. The increase in revenue was due to a high number of changes in ownership and completions of new construction that resulted in the reassessment of property values.

Supplemental Property Tax Revenue Collection 5-Year Comparision

\$ Millions



PROPERTY TAX & LICENSING

Special Assessments

The collection of Apartment House License, Hotel License and Rent Board fees on the Secured Property Tax bills continues to be exceptionally effective and efficient. By consolidating these billings with the Secured Property Tax bill, duplication of effort is minimized, collections increased, and taxpayer services are enhanced. During Fiscal Year 2004-05, \$7 million in special assessments fees were collected; average delinquency rate for these special assessments was 1.4%.

Type Of Special Assessment	Amount Collected
Rent Board	\$ 3,981,934
Apartment House License	\$ 3,445,377
Hotel License	\$ 276,986
Total	\$ 7,704,297

TAX REDEMPTION UNIT

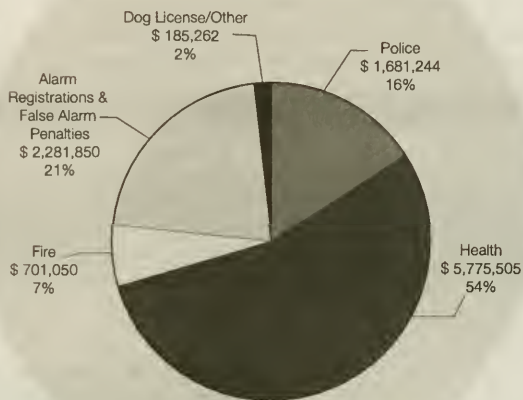
The Tax Redemption Unit processes and computes payments for prior years' delinquent secured property taxes. It also maintains complete records on taxes being paid under five-year installment payment plans. The unit communicates with owners of properties which have become tax-defaulted and publishes notices as required by State law. It must also attempt to sell tax-defaulted properties at either public auction or sealed bid within four years after the property becomes subject to power to sell.

In fiscal year 2004-2005, the redemption delinquency rate remained almost the same as the previous year due to our continuing efforts in working with the Assessor-Recorder's and Controller's Office in canceling incorrect assessments recorded on the Redemption file.

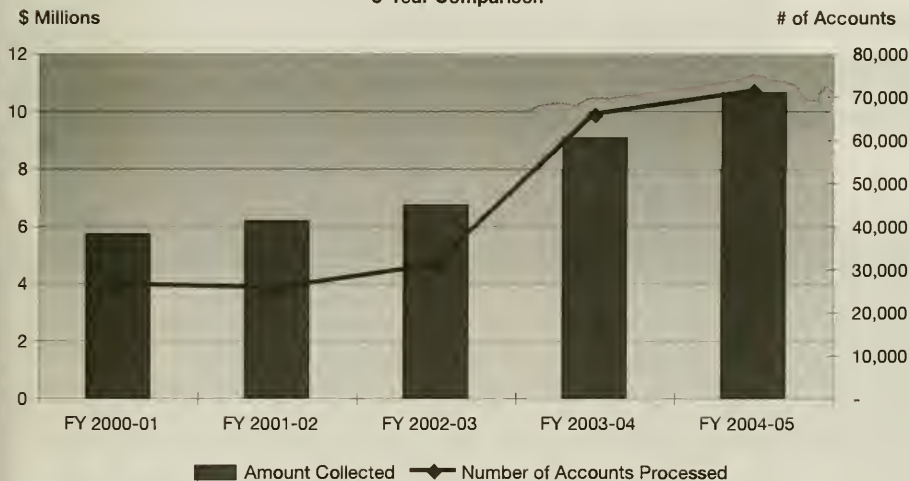
BUSINESS LICENSE UNIT

The Business License Unit bills, collects, records and reports license fees mandated by the San Francisco Municipal Code, Part III. During Fiscal Year 2004-05, this unit processed over 71,000 license accounts for the Public Health, Police, Fire, Emergency Communications and Animal Care and Control departments totaling to \$10.6 million an increase of \$1.6 million, or 18% from previous fiscal year's revenue of \$9.0 million.

Business License Fees Collected FY 2004-2005



Business License Fee Collection 5-Year Comparison



BUSINESS TAX SECTION

The Business Tax Section of the Office of the Treasurer & Tax Collector is responsible for the implementation and enforcement of the business registration fee, payroll expense tax, roofers' vehicle tag fee and third party taxes such as parking, hotel, utility user's tax, emergency response fees, and stadium tax. The Division is comprised of the two distinct units - the Account Services Unit and the Audit Unit. The Account Services Unit reviews and processes annual, semi-annual, and quarterly tax filings, business registration renewals, and prepayments. Account Services unit also maintains taxpayer accounts on the computerized Business Tax System (BTS). The Audit Unit primarily performs scheduled and unscheduled audits to promote voluntary taxpayer compliance with the tax ordinances and detect any underreporting.

ACCOUNT SERVICES

The Account Services Unit provides taxpayer account maintenance and related support services for the Office of the Treasurer & Tax Collector. This unit is comprised of a team of fifteen permanent staff and six seasonal temporary employees. The Account Services Unit's main responsibilities include administering, maintaining, and processing accounts for the following:

- Annual Business Registration Renewals
- Quarterly and Semi-Annual Payroll Tax Prepayments
- Annual Payroll Tax Filings
- Business Payroll Tax Determinations
- Requests for Waiver of Penalties
- Requests for Taxpayer Refunds
- Quarterly & Monthly Hotel, Parking and Utility Users Taxes
- Requests for Extensions for Filing the Annual Tax Statement
- Processing of various Tax Credits and Exemptions

Summary of Account Services Key Responsibilities in FY 2004-05:

Business Tax Account Services FY 2004-05:				Inc (Dec) from Prev Year 03-04		
Tax Type	# of Stmt Mailed	# of Pmts Posted	\$ of Pymts Posted	# of Stmt Mailed	# of Pmts Posted	# of Pmts Posted
Payroll Tax Year 2004	88,712	7,762	\$ 248,403,363	7%	(1%)	7%
Business Tax Registration FY 2005-06	87,590	62,837	\$ 5,079,827	(6%)	(6%)	(4%)
Payroll Determination Tax Year 2003	19,451	213	\$ 4,931,851	8%	57%	29%
Payroll Tax Prepayments	8,322	9,853	\$ 136,633,935	(9%)	11%	(9%)
Hotel Tax	2,598	1,317	\$ 155,828,403	94%	(2%)	1%
Parking Tax	2,368	2187	\$ 49,350,690	62%	1%	12%
Utility Users Tax	2,005	1,791	\$ 64,769,277	11%	0%	(4%)
Total	211,046	85,960	\$ 664,997,346			

AUDIT UNIT

The Audit Unit, which is primarily responsible for performing compliance audits with the City's tax ordinances, is comprised of 25 auditors divided into three audit teams, each headed by a Principal Auditor. Two audit teams are dedicated to performing business tax audits; one audit team is dedicated to performing payroll expense tax audit and parking tax compliance audits.

Audit Performance

In Fiscal Year 2004-05, the Audit Unit generated \$3,713,716 in audit deficiency billings:

Audit Deficiency Billings			
Type of Audit	FY 03-04	FY 04-05	% Incr (Decr)
Business/Payroll Tax	\$ 4,881,835	\$ 3,318,035	(32%)
Parking Tax	2,717,963	373,283	(86%)
Hotel Tax	462,143	22,398	(95%)
Total Audit Billings	\$ 8,061,941	\$ 3,713,716	(53.9%)

Large Deficiency Audits (Billings greater than \$100,000) Fiscal Year 2004-05		
Taxpayer	Audit Type	Amount
Financial Services	Business/Payroll Tax	\$ 874,061
Financial Services	Business/Payroll Tax	287,170
Financial Services	Business/Payroll Tax	147,943
Financial Services	Business/Payroll Tax	133,970
Parking Operator	Parking Tax	119,997
Accounting Services	Business/Payroll Tax	110,796
Internet Application Services	Business/Payroll Tax	110,469
Apartment Building	Parking Tax	108,294
Legal Information Provider	Business/Payroll Tax	106,635
Total		\$ 1,999,335

Nine audits, each generated billings in excess of \$100,000, totaled \$1,999,335. These top nine audits generated 54% of the fiscal year's total billings.

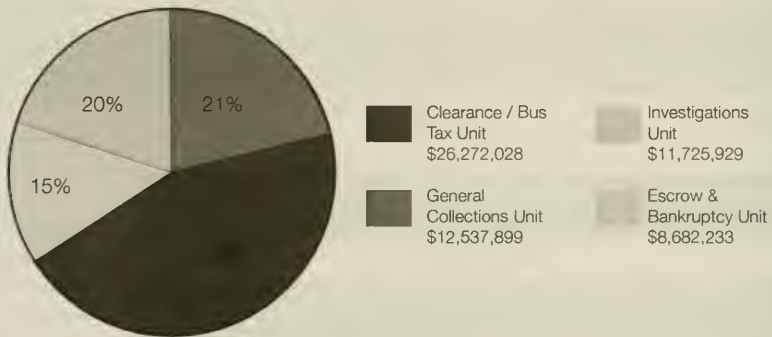
Audit Impact (5 Year Average)						
	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	5 Yr Avg
Number of Audits	681	400	438	515	540	515
Audit Hours	13,605	9,640	11,915	15,286	19,116	13,912
Avg Hours per Audit	20.0	24.1	27.2	29.7	35.4	27.3
Audit Billings	\$ 9,319,767	\$ 5,083,304	\$ 21,701,053	\$ 8,061,941	\$ 3,713,716	\$ 9,575,956
Avg Billing per Audit	\$ 13,685	\$ 12,708	\$ 49,546	\$ 15,654	\$ 5,998	\$ 19,518

BUREAU OF DELINQUENT REVENUE (BDR)

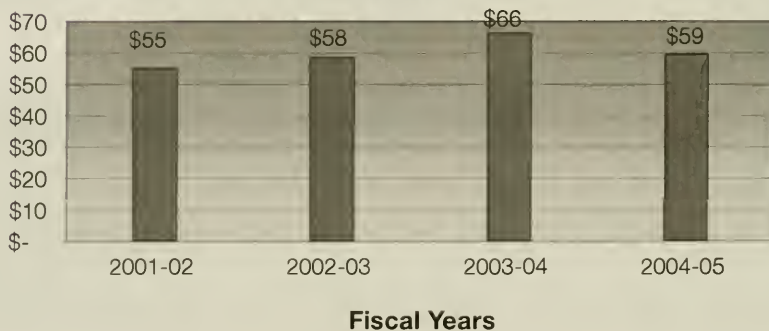
The Bureau Of Delinquent Revenue (BDR) is the official collection arm of the City and County of San Francisco. It is authorized to collect all accounts receivable over \$300 and at least 90 days overdue. Current departmental clients include: San Francisco General Hospital, Laguna Honda Hospital, Department of Public Works, Adult Probation, Fire Department, Mayor's Office of Community Development, Department of Parking and Traffic, City Planning, Ethics Commission, Trial Courts, Recreation & Park, and the Water Department.

In Fiscal Year 2004-05, Bureau of Delinquent Revenue collected \$59,218,089. A breakdown of collection by unit is as follows: BDR staff is divided into five units, each of which has separate and distinct roles:

Bureau of Delinquent Revenue Total Collection by Unit FY 2004-2005



**Bureau of Delinquent Revenue Collections
4 Year Historical Comparison
(\$ Millions)**



THE GENERAL COLLECTIONS UNIT

General Collections unit processes delinquent accounts from various departments. A majority of accounts are referred from San Francisco General and Laguna Honda hospitals. In addition, various accounts are referred from the Department of Public Works, the Mayor's Office, Recreation and Park Department, the Water Department as well as Trial Courts, San Francisco Housing Authority, and Redevelopment Agency.

Total collections by the General Collection Unit for the Fiscal Year 2004-05 were \$12,537,899.

ESCROW/BANKRUPTCY UNIT

The Escrow/ Bankruptcy unit researches, compiles data and files claims on outstanding debts owed to the City once escrow or bankruptcy is filed. During Fiscal Year 2004-05, this research led to the successful collection of \$8,682,233, which more than doubled the amount collected the previous year. The significant increase is attributable to one particular account involving almost \$5 million in real estate taxes.

CLEARANCE/BUSINESS TAX UNIT

The Clearance staff works with business owners and the Business Tax section and the Property Tax section to collect or resolve delinquent business-related taxes, such as payroll taxes, registration fees, and unsecured personal property taxes. All outcomes are resolved in a manner equitable to both the customer and the City. During Fiscal Year 2004-05, the Unit collected \$25,521,445 in delinquent business-related taxes as well as \$750,583 in administrative fees.

The unsecured personal property tax (UPP) delinquency rate for FY 2004-05 was 2.53%, which decreased from 3.78% last fiscal year. This decrease is due to the concentrated effort to resolve the UPP delinquencies by assigning two collectors to primarily focus on these obligations.

BUREAU OF DELINQUENT REVENUE (BDR)

INVESTIGATIONS UNIT

The Investigations unit ensures that taxpayers comply with City and State tax regulations. The unit operates in support of all sections in the Tax Collection Division.

The Investigations unit is responsible for a wide range of enforcement activities such as surveys, surveillance, small claims filings, post-judgment execution, seizures, summary judgments, Franchise Tax Board Offsets, complicated accounts, citations, business tax and Unsecured Personal Property tax liens and judgment renewals.

Surveys

Investigators are assigned to systematically research, inspect and interview city businesses with potentially high revenue. Overall, approximately 20% of businesses surveyed in this manner were unregistered. This year, Investigations continued to work on a file purchased from the Franchise Tax Board (FTB) pursuant to AB 63, which provided us with businesses on record with FTB to match our business records. Additionally, Investigations cross matches with a file provided by State Board of Equalization (SBOE) of registered businesses.

At full capacity, the unit has increased its productivity, particularly in the area of surveys. For Fiscal Year 2004-05, the unit collected a total of \$9,695,126 from surveys alone.

Third Party Tax Enforcement

Surveillance at over 400 parking lots was conducted and generated \$269,311 in delinquent parking taxes. With the access of the Geographical Information System from the Department of Telecommunications and Information Services, mapping of the parking lots will expedite enforcement and increase compliance in this area.

With the combined efforts of all the investigators, total revenue of \$11,725,930 in delinquent taxes was collected in Fiscal Year 2004-05.

CLERICAL UNIT

This sub-unit is responsible for providing all clerical work for the various units of BDR. The Clerical Unit conducts the initial screening of customers and determines the section or employee most appropriate to address the customer's questions. Clerical staff provides counter coverage on a rotational basis as counter activity continues to increase. Clerical staff provided initial customer service to 26,416 customers as compared to 21,676 for last fiscal year. The increase in walk in customers was due to the court collection operations having moved back to City Hall from the Hall of Justice. Further, clerical staff coordinated the issuance of over 114,248 notices.

LEGAL SECTION

The Legal Section files collection actions and litigates delinquent accounts within the Office of the Treasurer & Tax Collector's jurisdiction, becoming involved in specific cases only when other collection efforts have failed. This section also responds to legal challenges to the Department's claims in bankruptcy court, probate court, and the state superior courts on judicial foreclosure, and hospital cost recovery liens. The Legal Section also serves as the legal advisor on collection related issues.

Statistical Activity and Amount Collected

Type of Activity	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Complaints & Responsive Pleadings Filed	7	5	4	0	4
Abstracts & Liens Recorded	1	1	1	4	7
No. of Bankruptcy Cases Resolved	17	8	9	16	6
Claim Value at Risk	\$ 958,728	\$ 351,313	\$ 915,331	\$ 6,467,504	\$ 1,283,894
Bankruptcy Collections <small>(reported for first time in FY 04-05)</small>					\$ 1,388,827
Hospital Lien Collections	\$ 263,531	\$ 291,921	\$ 619,485	\$ 568,277	\$ 890,021
Aggregate Collections	\$ 3,084,31	\$ 2,220,207	\$ 1,542,578	\$ 1,971,467	\$ 3,155,521

The Legal Section provides legal advice and representation to the Bureau of Delinquent Revenue whenever a creditor claim or tax lien is in jeopardy of not being paid in the course of administering the bankruptcy case.

Legal Section attorneys were called upon to give legal advice and recommendations to section supervisors and line staff on a variety of collection issues. The most significant topics were:

- Residential exemption in the parking tax ordinance
- Demanding payment on claims where the statute of limitations has expired
- Procedure for disallowing erroneously claimed new jobs tax credit
- Making a subsequent tax determination for the same tax year
- Legal collection strategies on specific parking operator cases

Legal Section performed a variety of tasks in support of various departmental initiatives that required legal expertise. These include:

- Advice to the Tax Collector on issues arising from court of appeal remand.
- Liaison on regulatory compliance by valet parking operators.
- Recommendations for code amendments regarding valet parking operators.
- Legal advice on parking tax deficiency determinations.
- Preparation of administrative subpoenas in support of audit investigations
- Support of administrative subpoena directed to hotel operator regarding compliance with building code and hotel tax requirements

ACCOUNTING SECTION

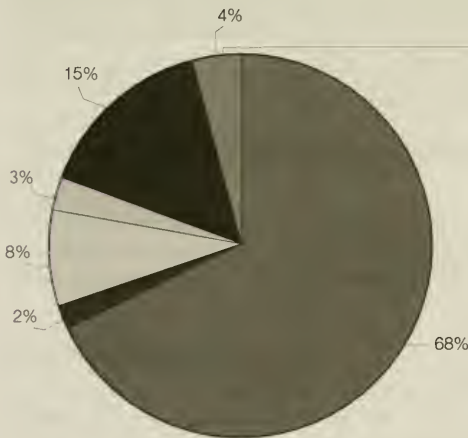
The Accounting Section provides accounting and support services to the Department. It batches and performs daily and monthly reconciliation of tax collections. Following reconciliation, the accounting unit records and reviews transactions on the Financial Accounting Management Information System as well as performs reconciliation of Real Estate, Business, and Unsecured Personal Property taxes.

The two primary goals of the Accounting Section are

- To provide adequate internal control systems to safeguard the City's assets; and
- To assist the Office of the Treasurer & Tax Collector in improving the Department's efficiency and productivity.

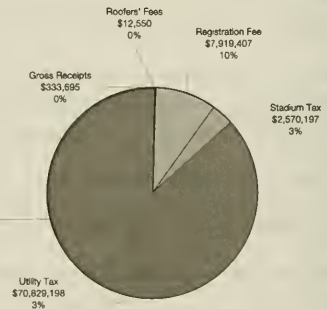
In Fiscal Year 2004-05, the unit reconciled a total \$1.8 million worth of items for various departmental sections:

Accounting Section Reconciled Collections FY 2004-2005



RE Tax (Prop & Supp) \$1,289,430,233	Hotel Tax \$157,765,171
Payroll Tax \$284,043,470	Business Tax \$81,665,047
Parking Tax \$50,008,131	Emerg RespFee \$36,737,628

Business Tax Section Subtotal



INVESTMENT SECTION

The Investment Section is responsible for investing the City and County's funds to ensure sufficient liquidity to meet all anticipated disbursements. The section's main objectives are:

- preservation of capital
- liquidity to meet all disbursement requirements
- return on investments without compromising the safety of capital and liquidity

The Investment Section has consistently demonstrated prudent portfolio management with excellent results, executing approximately \$35 billion in investment transactions annually.

The Treasurer is required to comply with the City's Administrative Code and Charter and by the California State Government Code when purchasing investment securities. As such, there are no investments in stocks but only in Negotiable Certificates of Deposits, Commercial Papers, Bankers Acceptances, Federal Agency Notes and U.S. Treasury instruments.

The Investment Section also serves as the City's liaison to the banking community. It coordinates the implementation of any required banking service for any City department. These banking services range from opening and closing bank accounts, installing machines to accept credit card payments, and lockbox, implementing positive pay systems, and negotiating bank services to providing depository needs to various City departments. It also sends wire or ACH payments to various vendors and financial institutions on behalf of requesting departments and on the other side of transactions, provides any department the ability to accept wire payments or electronic funds transfers from their customers through the City's wiring account.

In Fiscal Year 2004-05, the Investment Section installed a new banking Internet service, called Bank of America (BA) Direct, which allowed City and County Departments to obtain reports on bank deposits and credit card activity, and to search for incoming and outgoing ACH and EFT wire payments. Additionally, BA Direct enabled Departments to view and print copies of posted checks for research purposes and proof of payment inquires. At end of Fiscal Year 2004-05, 40% of City departments had the BA Direct program installed. It is anticipated that additional City departments will be added to the system and allow the departments to have increased efficiency in their daily activities.

In Fiscal Year 2004-05, the Treasurer's Office, as paying agent for various City and County issued General Obligations bonds, paid out \$52 million in interest payments and \$145 million in principal payments to bondholders.

Yield Comparisons FY 2004-2005

San Francisco (pooled)	2.331%
Average 90 Day US T Bills	2.210%
San Diego (Pooled)	2.311%
Los Angeles (Pooled)	2.343%
State Local Agency Fund (Pooled)	2.256%

BANKING AND TREASURY ACCOUNTING SERVICES

Banking and Treasury Accounting Services is responsible for reconciling and accounting for the receipt and deposits of all revenues collected by the Office of the Treasurer and Tax Collector. These functions are completed in compliance with all applicable accounting standards. There are two sections:

Banking Operations

Banking Operations ensures that all monies collected from the State and through electronic fund transfers are recorded in the City's general ledger system FAMIS for various respective departments, accounts for and reconciles payments received through the Internet and Interactive Voice Response systems, provides verification to the City's banking institutions for warrant/check encashment purposes and provides banking support services to various City departments

Treasury Accounting Services

Treasury Accounting Services accounts for all monies and checks received through direct bank deposits, mail center, electronic fund transfers, Internet payments, port lockbox operations, and credit card payments, reconciles receipts, processes various bank adjustments, records the Department's accounting transactions, processes payment requests for missing/absent heirs and assists in preparing the department's annual budget.

ADMINISTRATION SECTION

The Administration Section provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector. These services include personnel and payroll, purchasing, information services, departmental accounting, budget preparation, and general administrative services. The section also responds to requests for reports for the Mayor, Board of Supervisors, citizen interest groups and individuals, and other City departments.

Personnel and Payroll

Personnel Management staff assist managers in the recruitment and hiring of personnel and in addressing disciplinary matters in a fair and equitable manner. Payroll staff processes daily attendance data and prepares and submits bi-weekly time rolls.

Purchasing and Supply Management

Staff provides support to all sections by ordering office supplies, equipment and other minor furnishings, arranging for maintenance of copiers and other office equipment, and managing a large inventory of forms, envelopes and statements.

Departmental Accounting

The Administration Section is responsible for accounts payable and for monitoring and analyzing spending patterns and historical data as part of the budget preparation process.

Budget Management

The Department's annual budget request is developed by budget staff and senior managers in collaboration with the managers of nine separate operating sections. The final budget appropriation for Fiscal Year 04-05 totaled \$ 18 million.

Operating Budget FY 2004-05

Salaries & Benefits	\$15,342,145
Contractual Services	1,036,735
Materials & Supplies	390,063
Misc. City Services	3,229,742
Budgeted Expenditures:	19,998,685
Less W/O Recoveries:	(1,533,979)
Total Budget Allocation:	\$18,464,706

MANAGEMENT INFORMATION SERVICES

The Management Information Services Section provides centralized support services to the different sections of Office of the Treasurer & Tax Collector and is also responsible for the system administration of the Department's local area network (LAN) and wide area network (WAN) services at the Department's two locations: City Hall and the War Memorial Building.

The Management Information Services Section also manages and coordinates projects for the enhancement of all specialized applications including Bureau of Delinquent Revenue's Columbia Ultimate Business System (CUBS) and the Cashier Section's ItemAge system (NETVANTAGE). Other specialized applications used by the Office of the Treasurer & Tax Collector, which the section supports includes:

- Anacomp-Alva
- GIS/ARVIEW software (MAPINFO)
- Netvantage-ITEMAGE
- Macromedia: Dreamweaver4 & Fireworks4 Studio
- Alchemy Imaging
- Patton & Patton Flow Charting 5
- Cardiff Teleform Information Capture System
- PGP- for encryption
- Columbia Ultimate Business System/Revenue Plus
- SmartLaser2000
- +Compulaw
- Timeslip
- Dean Software for Tech Scheduler
- Ultra Edit
- EPISUITE Pro
- Virtual Network Connection

Additionally, the MIS Section coordinates custom programming issues, service requests, production support maintenance and security issues with the Department of Telecommunication and Information Services (DTIS), vendors and consultants. The MIS section is also responsible for the maintaining server resources and maintaining the web design and contents.

Treasurer José Cisneros



In September 2004, Mayor Gavin Newsom appointed José Cisneros as Treasurer for the City and County of San Francisco. As Treasurer, he serves as the City's banker and chief investment officer, managing all tax and revenue collection for San Francisco. He was elected to a full term in November 2005.

Treasurer Cisneros is proud to lead an accomplished and effective city department. Under his tenure, the office has achieved the lowest-ever property tax delinquency rate in the history of San Francisco. This means more services for the people of San Francisco, and lessens the pressure to increase taxes. Treasurer Cisneros has also achieved high investment returns, outpacing other large California counties—while preserving the safety and liquidity of the City's money. He is also proud of the excellent customer service offered to the people of San Francisco, which has consistently been rated “excellent” or “good” by more than 90% of those surveyed.

Treasurer Cisneros strongly believes that his role of safeguarding the City's money extends to all San Francisco residents. In January of 2005 Treasurer Cisneros led the implementation of the Working Families Credit Program, an innovative public/private partnership providing a tax credit to qualified San Francisco families. More than 9,500 of the City's lowest-income working families have received over \$2 million from the program, which provides a match to the federal Earned Income Tax Credit. Treasurer Cisneros continues to expand his role as a financial educator and advocate for low-income San Franciscans through creating innovative programs aiming to give all city residents access to a bank account and lessen the need for check cashers and payday lenders.

Prior to his appointment, Treasurer Cisneros served as Deputy General Manager for the San Francisco Municipal Transportation Agency. In this capacity, he managed MUNI's \$7 billion capital program designed to repair, replace and enhance system assets – including the 3rd Street Rail extension serving Chinatown, Mission Bay and the residents of Bay View and Hunters Point. Before working at MUNI, Treasurer Cisneros served as a member of the MTA Board of Directors and was instrumental in creating Proposition E, the Muni Reform Charter Amendment.

Treasurer Cisneros has a strong business background in the private sector, previously working for IBM Corporation and Lotus Development Corporation as a Senior International Product Manager. Prior to this, he was an Assistant Vice President at Bank of Boston where he managed financial product portfolios valued at over \$100 million.

José Cisneros received his Bachelor of Science from Sloan School of Management at the Massachusetts Institute of Technology (MIT) and studied for an MBA at Boston University. He lives with his partner in San Francisco.

George Putris, Tax Administrator

George Putris is a lawyer who has spent his career specializing in taxation law. Through both private practice and public service, he has gained extensive experience in the areas of federal income taxation, property taxation, state and local taxation, tax litigation, municipal finance, tax-exempt organizations and tax legislation. Immediately prior to undertaking the position of Tax Administrator, Mr. Putris practiced law in the San Francisco City Attorney's Office, where, as Deputy City Attorney, he served primarily as counsel to the Office of the Treasurer & Tax Collector.



Mr. Putris places a high value on efficiency, simplicity and fairness in the administration of the various tax services and regulatory functions performed by the Office of the Treasurer & Tax Collector. He believes that sound tax policy encourages voluntary compliance with the law, and that sound tax administration enhances the City's attractiveness as a place for businesses to locate their facilities and jobs. He is committed to revitalizing the policies and procedures that enable taxpayers to take full advantage of the services offered by the Office of the Treasurer & Tax Collector.

Mr. Putris is a graduate of the Martin Luther King, Jr. School of Law at the University of California, Davis. He also has an LL.M. degree in Taxation Law from New York University. He received his BA degree from the University of California, Berkeley. Mr. Putris is a member of the California Bar Association. He is the Chair of the Legislative Committee of the California Association of County Treasurers and Tax Collectors.

Pauline Marx, Chief Assistant Treasurer

As Chief Assistant Treasurer, Pauline Marx serves as Deputy to José Cisneros in administering the operations of the Office of the Treasurer and Tax Collector, formulating citywide financial policies, the Department's budget and controlling the receipts, management and disbursement of city funds.

Pauline Marx joined the Office of the Treasurer and Tax Collector in January, 2005 after serving nine years with the City of Emeryville as Finance Director and Treasurer. In Emeryville her duties included management of the City's accounting and revenue collection functions, budgeting, debt and investments, and the City's information technology efforts.

Pauline Marx grew up in New York City. She has a bachelor's degree from the University of Michigan and an MBA from Yale School of Management. She has lived in the San Francisco bay area since 1979, working for both the private sector and the public sector, always focusing on the intersection of business and public policy at the local government level.



Daniel Daly, Chief Investment Officer



Daniel Patrick Daly commenced employment with the City and County of San Francisco in the newly created position of City Cash Manager in June of 1980. In June of 1981, he was promoted to the Chief Investment Officer. During his tenure, the City "Pooled Portfolio" has grown from \$500 million to the present portfolio of \$2.9 billion dollars as of June 2005. In the past ten years City's investment performance has consistently generated yields in excess of the major counties within the State of California (including the California State Pool Portfolio).

In addition to his investment duties, Dan also directs the banking relationships for the City and County and is a trustee of the Transport Workers Union Municipal Railway Trust Funds.

Prior to joining the Treasurer's Office, Mr. Daly worked for Citibank in New York City as an Assistant Vice President for marketing in midtown Manhattan. Mr. Daly also worked as a Vice President for First Interstate Bank (Wells Fargo) managing securities broker-dealer relationships in both Northern California and New York City. Dan served as a Vietnam Veteran in the U. S. Marine Corp and is an alumnus of Fordham University

CONTACTS

Treasurer.....	José Cisneros	554-4478
Tax Administrator.....	George Putris	554-4874
Chief Assistant Treasurer.....	Pauline Marx	554-5260
Chief Investment Officer.....	Daniel Daly	554-4487
Policy and Legislative Manager.....	David Augustine	554-7601

SECTION MANAGERS:

Accounting Section.....	Wilson Hsu	554-4327
Administration Section.....	Pauline Marx	554-5260
Bureau of Delinquent Revenue.....	Florence Mar	554-4608
Business Tax Section.....	George Putris	554-4874
Cashiering Section.....	Sonia Martinez	554-4490
Legal Section.....	Robert Fletcher	554-4492
Management Information Section.....	Darrell Ascano	554-4438
Property Tax & License Section.....	Francis Nguyen	554-4448
Taxpayer Assistance.....	DJ Dull	554-4643



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ANNUAL REPORT

FISCAL YEAR 2005-2006

Office of the Treasurer & Tax Collector
Honorable José Cisneros, Treasurer
City and County of San Francisco

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LETTER FROM TREASURER JOSÉ CISNEROS



Welcome to the 2005-06 Annual Report for the Office of the Treasurer & Tax Collector. In November of 2005 I was elected by the people of San Francisco to serve as Treasurer – the City's banker, tax collector, collection agent and investment officer. I am proud to have been entrusted to this important role by the San Francisco voters, and am equally proud to be able to report on an extremely successful year in office.

This year was the second year of the Working Families Credit (WFC) program, which provides San Francisco low-income working families with a percentage match to the Earned Income Tax Credit. Applications grew by 13% citywide, with the largest area of growth concentrated in the Southeast section of the City. More than 11,500 families received the credit this year, which means almost 2,000

additional families kept more of what they earned in 2005. The average credit amount was \$200, and our eligible families received approximately \$26.5 million from the federal government. The program has now moved beyond the pilot phase, and will continue to be budgeted each year. In 2007, the Human Services Agency will take over as the managing agency for the WFC and start linking these families with other federal, state and local benefits.

In addition to the exciting progress of the Working Families Credit, my staff in the Office of the Treasurer has been hard at work delivering high-level service in the areas of tax collection and investing. The amount of transactions we processed in 2005-06 increased greatly – an additional \$180 million over the previous year.

To ensure that everyone is paying their fair share, our auditors conducted 531 audits in Fiscal Year 2005-06, bringing in \$5.1 million in deficiency billings. This represents an increase of \$1.4 million over 2004-05. Our delinquent revenue collections also increased by \$7.8 million to \$67 million. This is the highest amount collected in city history.

The Office of the Treasurer & Tax Collector not only collects all taxes and fees owed to the City; we also invest and safeguard the City's money. This past fiscal year, our portfolio grew by \$750 million due to increased revenues and an increase in interest rates.

All of these achievements mean more money for the things that are important to San Franciscans – better transportation, cleaner parks, safer streets, and improvements in our city schools and programs which help everyone in our community to thrive.

On behalf of the over 200 staff of the Office of the Treasurer & Tax Collector, I am proud to report on a very successful Fiscal Year 2005-06. You may be assured that we will continue to uphold and expand this level of service in the coming years.

Sincerely,

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the bottom.

José Cisneros

MISSION STATEMENT

The mission of the Office of the Treasurer & Tax Collector is:

- to facilitate voluntary compliance with the tax laws of the City and County of San Francisco by simplifying all processes and procedures and by providing efficient customer service;
- to collect all taxes and fees due to the City; and
- to provide safekeeping for all city funds, prudently investing the monies to achieve maximum yield with low risk and high liquidity.

The Office of the Treasurer & Tax Collector serves two basic functions for the citizens of the City and County of San Francisco:

1. *The collection of taxes and other city revenue*

Through the mail, in person at the City Payment Center, and via the Internet, the Office of the Treasurer & Tax Collector collects taxes and other obligations owed to the City including business taxes, property taxes and fees for various business licenses and permits required by the Municipal Code. Tax Collection units collect over \$2 billion annually in property taxes, business taxes and license fees. Additionally, the Office of the Treasurer & Tax Collector investigates and collects unreported and delinquent tax obligations. Through the City Payment Center and the Bureau of Delinquent Revenue, the Office of the Treasurer & Tax Collector contracts to collect current and delinquent obligations owed to other city departments, such as water and hospital bills.

2. *The oversight of monies before disbursement*

The Office of the Treasurer & Tax Collector manages all city funds in order to gain the maximum return with low risk and high liquidity, including investing the City's portfolio of pooled funds. The Treasurer works with all city departments to ensure that funds are received, deposited and reconciled as quickly and accurately as possible, providing the maximum interest and investment returns for the people of San Francisco. The Treasurer administers and monitors the bank accounts and wire transactions used by all city agencies, contracts with banks for their services, and disburses payments on the City's General Obligation municipal bonds.

HIGHLIGHTS OF FISCAL YEAR 2005-2006

- **Working Families Credit Program:** In its second year of operation, the Working Families Credit program issued checks to more than 11,500 low-income San Francisco families in 2006, an increase of 19% over the previous year.
- **High Number of Transactions and Dollars:** The Cashier Section processed 1.36 million transactions totaling \$2.418 billion, an increase of \$180 million (or 8%) over the last fiscal year.
- **Collection of Development Impact Fees:** The Cashier Section collected \$31.4 million in Development Impact Fees during the fiscal year, an increase of \$23.4 million (or 300%) from \$8 million collected in the last fiscal year.
- **Property Tax Collection Increased:** Property tax collection rose in Fiscal Year 2005-06 to \$1.287 billion, an \$82 million (7%) increase over the last fiscal year.
- **Property Tax Delinquency Rate:** 2nd Lowest Ever for the City: The Property Tax Section achieved the 2nd lowest ever delinquency rate of secured property taxes at 1.19% – only slightly higher than the lowest ever recorded delinquency rate of 1.10% a year ago.
- **Regulatory Business License Collection:** The Business License Unit of the Property Tax Section collected \$10.2 million in regulatory business license fees, and successfully collected over \$2.2 million in alarm registration fees and false alarm penalties for the Emergency Communications Department.
- **Audit Deficiency Billings Increased:** The Business Tax Audit Division completed 531 audits and generated \$5.1 million in audit deficiency billings, a \$1.4 million increase (37%) over Fiscal Year 2004-05.
- **Increased Delinquent Revenue Collections:** Delinquent Revenue collections increased by \$7.8 million (or 13%) from \$59.2 million in the last fiscal year to \$67 million in Fiscal Year 2005-06, the highest collection in the Bureau of Delinquent Revenue's history.
- **Investment Portfolio:** The Investment portfolio of \$3.6 billion earned \$132 million, an earned income yield of 4.2% for the fiscal year ending June 30, 2006.
- **Bank of America (BA) Direct:** The Investment Section implemented this online banking system for a number of city departments, thus enabling departments to access their bank accounts and obtain various online reports. It is anticipated that all remaining city departments will be provided this service in the next fiscal year.

DEPARTMENT DESCRIPTION

Background

The position of San Francisco Treasurer is an elective office created by the City Charter in 1850. In July 1979, a charter amendment added the office and duties of Tax Collector to the Treasurer's responsibilities. The Office of the Treasurer & Tax Collector serves as the banker, collection agent, and investment officer for the government of San Francisco, the only combined city and county in the state of California.

Programs and Services

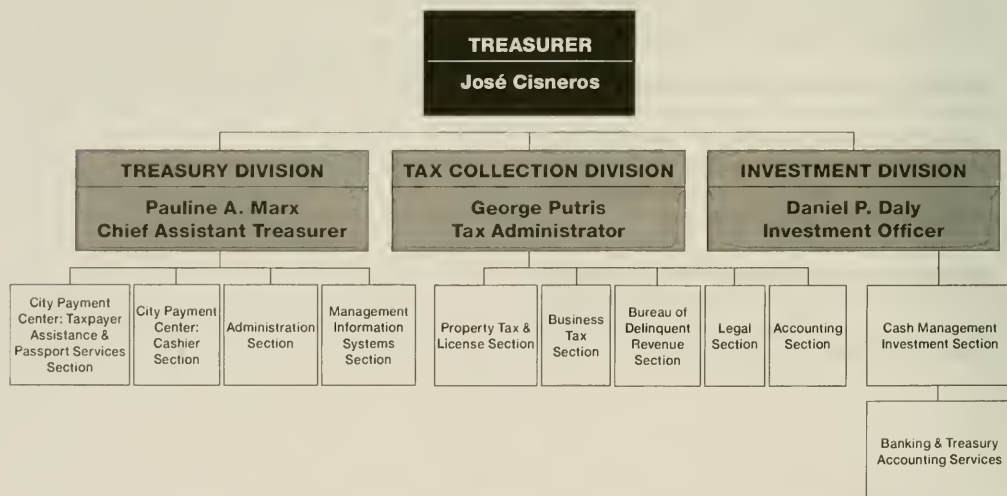
The Office of the Treasurer & Tax Collector serves the citizens of San Francisco by providing information and service in the following areas:

- Property Tax
- Business Taxes (Payroll, Hotel/Occupancy, Parking, Roofers, Stadium, Utility)
- Business Registration and Regulatory Licenses
- Dog Licenses
- U.S. Passport Application Acceptance
- Water Department Payments
- Recreation and Parks Services (Golf Resident Card, Swimming Pool Scrip)
- Transit Passes (MUNI, BART, Caltrain, Golden Gate Transit, AC Transit, SamTrans)
- Social Programs – Working Families Credit Program, Bank On SF Initiative

Organizational Structure

The Office of the Treasurer & Tax Collector is organized into three divisions comprised of a total of ten sections:

City and County of San Francisco - Office of the Treasurer & Tax Collector

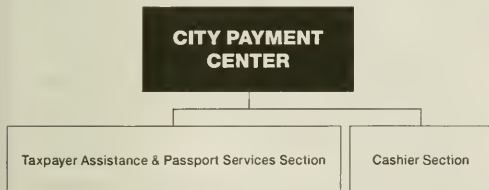


TREASURY DIVISION

CITY PAYMENT CENTER

The **City Payment Center**, located in City Hall Room 140, provides a centralized location for taxpayers, city departments, city employees and the general public to make payments, transact business, and receive information about local taxes and other government services effectively and courteously. In addition to providing information and service with regard to property taxes, business taxes, business registration and licensing, the City Payment Center also offers services regarding water bill payment, acceptance of U.S. passport applications, and purchase of various public service commodities, including transportation passes for Muni, BART, Caltrain, and other local transit carriers.

The City Payment Center now consists of two sections: **Taxpayer Assistance & Passport Services** and **Cashier**. In July 2005, all non-cashiering City Payment Center service staff were consolidated into one section and received cross-training on all City Payment Center services. This has greatly increased the section's ability to serve the public quickly and efficiently.



TAXPAYER ASSISTANCE & PASSPORT SERVICES SECTION

The **Taxpayer Assistance (TPA) Unit** offers assistance in San Francisco's business registration, property tax, licenses, city services, collection notices, and other matters of general assistance. Staff members with extensive training work with customers to assess need, provide specialized assistance, and make referrals to appropriate sections within the Office of the Treasurer & Tax Collector as well as to other city and county departments. The TPA staff provides efficient and courteous service in a variety of capacities – in person at various service counters located within the City Payment Center, over the phone by means of a 45-hour-per-week

call center, and through electronic and traditional written communications. Senior staff members also perform outreach to a variety of community, neighborhood and business organizations, educating the public about local requirements and available city resources. This section embodies the department's philosophy that customers' needs are a priority and that the public should receive quality service and accurate information in a timely manner.

The **Passport Services Unit** was created in 1999 to serve as an acceptance office for U.S. Passport applications. Staff members serve as authorized acceptance agents, verifying the identity of passport applicants, ensuring that all required documentation is submitted, accepting payment for the passport and related fees, and serving as an information resource for the public regarding passport issuance and legislation. The Passport Services unit has earned a reputation as the premier passport acceptance facility in Northern California and the primary referral by the San Francisco Passport Agency for passport services in the Bay Area. The unit continues to simplify the passport application process for thousands of travelers and new citizens.

Fiscal Year 2005-06:

- The TPA Unit responded to over 100,000 customer inquiries through service counters, customer service phone lines, email, and written correspondence; it processed applications for 9,584 new businesses.
- 93.6% of customers who voluntarily submitted "Customer Service Feedback" surveys (146 out of 156) ranked TPA's overall service as either "Excellent" or "Good", marking the seventh consecutive year TPA has exceeded a 90% approval rating for service.
- The Passport Services Unit processed 9,372 passport applications, earning \$281,010 in revenue for the City.
- TPA conducted or participated in leading 23 different informational seminars, including a monthly hour-long workshop on "Starting a Small Business in San Francisco".

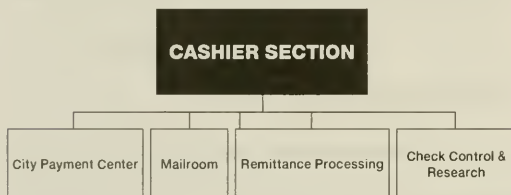
CASHIER SECTION

The **Cashier Section** is responsible for accepting and processing all types of tax payments, registration and license fees. These items include payments received through the mail, presented in person, paid by credit card or wire,

and via the Internet. The Cashier Section also processes payments for the Department of Public Works, the Public Utilities Commission, and the Emergency Communications Department and receives and banks deposits from several city departments.

In addition to processing payments, the Cashier Section provides goods and services to the general public as well as to city employees. The Cashier Section is an authorized vendor for Golfer's Resident Cards and swimming pool scrip tickets on behalf of the Recreation and Parks Department as well as numerous types of Bay Area public transit passes. Effective December 2005, the Cashier Section began selling Municipal Transportation Agency (MTA) Parking Meter Debit Cards, with sales ranging from 200-300 cards per month.

The Cashier Section is comprised of four units, which work together to process and post all payments:



The **City Payment Center Cashier Unit** accepts payments from taxpayers, sells transit items, issues taxi driver "A Cards" and Golfer's Resident Cards, receives deposits from other City departments and processes mail payments. The **Mail Room Unit** sorts, opens, verifies, and distributes mail for the Office of the Treasurer & Tax Collector, Water Department and the Port of San Francisco. The **Remittance Processing Unit** processes water bills and other tax payments using high-speed National Cash Register (NCR) remittance machines. This unit also researches water payments received without account numbers or payment stubs. The **Check Control and Research Unit** researches and processes unidentified tax payment stubs for all sections of the Office of the Treasurer & Tax Collector.

Fiscal Year 2005-06:

- The mail room sorted, opened and distributed 1.1 million pieces of mail totaling over \$2.498 billion.
- The Cashier Section processed over 1.35 million

payments in Fiscal Year 2005-06. The Remittance Unit processed 1.08 million of these payments (51% of which consisted of water bills collected for the Water Department) while over 270,000 payments were processed over the counter.

- The Check Control Unit processed 13,947 items, and Research processed 85,089 items.
- Cashier staff scanned 13,000 applications for the Working Families Credit Program.

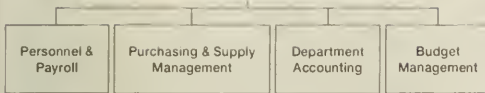
Cashier Collections Fiscal Year 2005-06		
REVENUE TYPE	ITEMS	DOLLARS
Real estate taxes	404,993	\$1,365,242,351
Business & payroll taxes & fees	119,479	\$324,009,892
Parking, utility users, & hotel occupancy taxes	14,417	\$307,327,549
Sales tax & other state collections	26,554	\$164,341,521
Water bills	695,253	\$250,113,336
Emergency communications fees	746	\$41,832,637
Licenses	31,660	\$8,202,207
Other	62,781	\$37,139,153
Total	1,355,883	\$2,498,208,646
PAYMENT TYPE		DOLLARS *(Rounded)
Online		\$28,300,000*
Credit Card - IVR (Interactive Voice Response)		7,500,000*
Credit Card, Over-the-Counter		43,200,000*
Cash, Checks		2,419,000,000*
Total		\$2,498,000,000*

ADMINISTRATION SECTION

The **Administration Section** provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector. The section also responds to requests for reports for the Mayor, Board of Supervisors, citizen interest groups and individuals, and other city departments.

The **Personnel and Payroll Management Services Unit** is responsible for the recruitment and hiring of department personnel, employee compensation and

ADMINISTRATION SECTION



employee records. The unit also provides management with recommendations relating to personnel decisions, interpretations regarding civil service regulations, and guidance with regard to disciplinary and accountability matters. Personnel staff monitors Workers' Compensation cases and ensures compliance with the American with Disabilities Act, Affirmative Action and the Family Medical Leave Act. The Payroll staff processes daily attendance data and prepares and submits bi-weekly time rolls.

The **Purchasing and Supply Management Services Unit** provides support to all sections by providing office supplies, equipment and other minor furnishings, arranging for maintenance of copiers and other office equipment, and managing a large inventory of forms, envelopes and statements. This unit coordinates the department's participation in citywide efforts such as the Combined Charities Campaign, recycling programs, blood drives, and trainings.

The **Departmental Accounting Services Unit** is responsible for accounts payable and for monitoring and analyzing spending patterns and historical data as part of the annual budget preparation process.

The **Budget Management Unit** staff and senior managers develop the department's annual budget in collaboration with the managers of ten separate operating sections. The operating budget for Fiscal Year 2005-06 was \$22 million.

Fiscal Year 2005-06:

- Filled 92 vacancies for the Office of the Treasurer & Tax Collector
- Worked with section managers to screen over 1600 candidates to fill those vacancies
- Coordinated with the Department of Human Resources to provide "How to Identify and Prevent Sexual Workplace Harassment" training for all department staff; coordinated with Department of Human Resources "Work Plus Development Program" to provide supervisory training to supervisors and managers

MANAGEMENT INFORMATION SERVICES SECTION

The Management Information Services (MIS) Section provides the department with full-time centralized support for all technological equipment, systems, and applications, including specialized mainframe and web-based applications for banking, investment and other business and finance-related functions. The MIS section is also responsible for the system administration of the department's local area network (LAN) and wide area network (WAN) services at the department's two locations – City Hall and the War Memorial Building.

The MIS Section coordinates custom programming issues, service requests, production support maintenance and security issues with the Department of Telecommunication and Information Services (DTIS), vendors and consultants. The section is also responsible for maintaining server resources and web design and contents. MIS ensures that sufficient documentation is maintained for all existing financial systems, and continues to work with the Office of the Controller as well as with other city departments to refine emergency preparedness plans and procedures.

Fiscal Year 2005-06:

- Provided system support and maintenance for the Working Families Credit project in its second year of implementation, including the automated processing of applications, reports and feedback queries
- Developed a customized Interactive Voice Response System (IVR) program for the Bureau of Delinquent Revenue's Columbia Ultimate Business Systems (CUBS). The customized program will automatically route unattended calls relating to billing information to a collector's phone extension.
- Upgraded the Legal Section's server to Microsoft Windows Server 2003 Enterprise; upgraded Compulaw to SQL database
- Completed the conversion to SQL server database of the False Alarm System in collaboration with the DTIS database system management team for the city alarm program
- Upgraded the NetVantage System for the Cashier Section and migrated NetVantage to new Microsoft Windows Server 2003

TAX COLLECTION DIVISION

PROPERTY TAX & LICENSING SECTION

The **Property Tax & Licensing Section** is made up of three primary units:

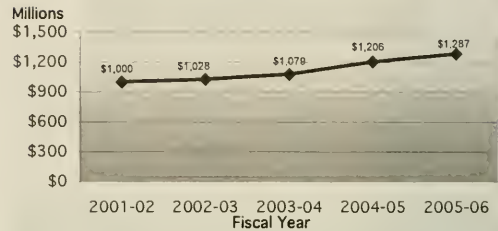


The **Real Estate Unit** bills and processes regular, escaped and supplemental tax bills for secured and unsecured taxes. It is also responsible for processing approved refund requests for overpayments and duplicate payments of current and prior years' property taxes as well as refunds for the rent board fees program, alarm registration fees, false alarm penalties, dog license fees and other business license fees.

Fiscal Year 2005-06

- Collected over 450,000 property tax bills and statements including 40,000 unsecured tax bills and 65,000 business license fees.
- Property tax revenue increased by nearly \$82 million (7%) compared to the previous fiscal year.
- The delinquency rate for secured property taxes was 1.19% – the second lowest rate in its history. The previous fiscal year (2004-05) marks the City's lowest delinquency rate at 1.10%.

Secured Property Tax Revenue Collection 5 Year Comparison

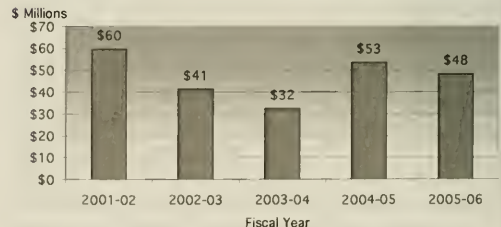


- Supplemental property tax collection decreased by \$5 Million (10%) from previous fiscal year due to a decline in the number of changes in ownership and reduction in the prior year's assessed values of commercial properties.
- The collection rate for the Apartment House License, Hotel License, and Rent Board Fees on the Secured Property Tax bills was 98.9%. The average delinquency rate for all special assessments was 1.85%.

Secured Property Tax Delinquency Rate 5-Year Comparison

Fiscal Year	Delinquency Rate
2001-2002	1.46%
2002-2003	1.55%
2003-2004	1.19%
2004-2005	1.10%
2005-2006	1.19%

Supplemental Property Tax Revenue Collection 5 Year Comparison



Special Assessment	\$ Charged	\$ Collected	% Collected
Rent Board Fee	\$3,642,450	\$3,604,305	99.0%
Apartment House License Fee	\$3,555,660	\$3,522,115	99.1%
Hotel License Fee	\$277,123	\$267,281	96.4%
Total	\$7,475,233	\$7,393,701	98.9%

The **Tax Redemption Unit** processes and computes payments for prior years' delinquent secured property taxes and maintains complete records on taxes being paid under five-year installment plans.

Fiscal Year 2005-06

- The redemption delinquency rate was slightly lower as compared to the prior fiscal year as a result of the Tax Redemption Unit's continuing efforts to work with the offices of the Assessor-Recorder and Controller to cancel incorrect assessments recorded on the redemption file.

Tax Redemption - Delinquency Rate 5-Year Comparison	
Fiscal Year	Delinquency Rate
2001-2002	49.1%
2002-2003	46.8%
2003-2004	46.6%
2004-2005	46.7%
2005-2006	46.0%

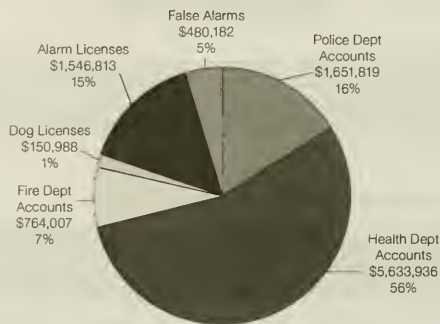
The **Business License Unit** collects, records, and reports regulatory business license fees mandated by the San Francisco Municipal Code, Part III.

Fiscal Year 2005-06

- Processed 69,560 license accounts for the Police, Fire, Public Health, Emergency Communications, and Animal Care and Control Departments totaling \$10.2 million, a decrease of \$401,088 (3%) from last fiscal year's revenue of \$10.6 million. The decrease was primarily due to a decline in the number of false alarms penalties. License fees that have been delinquent for more than 90 days are promptly reported to the regulatory departments for collection.

Business License Dollar Collected

Fiscal Year 2005-06



Business License Dollar Collected

5 Year Comparison



BUSINESS TAX SECTION

The Business Tax Section of the Office of the Treasurer & Tax Collector is responsible for the implementation and enforcement of the business registration fee, payroll expense tax, roofers' vehicle tag fee and third party taxes for parking, hotel, and stadium operators, utility users, and for emergency response fees. The Division is comprised of the two distinct units – the Account Services Unit and the Audit Unit.



The **Account Services Unit** is responsible for administering, maintaining, and processing accounts for the following:

- Annual Business Registration Renewals
- Quarterly and Semi-Annual Payroll Tax Prepayments
- Annual Payroll Tax Filings
- Business Payroll Tax Determinations
- Requests for Waiver of Penalties
- Requests for Taxpayer Refunds
- Quarterly & Monthly Hotel, Parking and Utility Users Taxes
- Requests for Extensions for Filing the Annual Tax Statement
- Processing of various Tax Credits and Exemptions

Fiscal Year 2005-06

Business Tax Account Services FY 2005-06				Inc (Dec) from Prev Year		
Tax Type	# of Stmt Mailed	# of Pmts Posted	\$ of Pymts Posted	# of Stmt Mailed	# of Pmts Posted	\$ of Pymts Posted
Payroll Tax Year 2005	93,576	8,022	\$273,925,655	5%	3%	10%
Business Tax Registration FY 06-07	93,173	64,841	5,230,785	6%	3%	3%
Payroll Determination Tax Year 2004	4,758	760	1,717,258	(76%)	257%	(65%)
Payroll Tax Prepayments	7,805	7,388	135,413,645	(6%)	(25%)	(1%)
Hotel Tax	2,579	1,331	179,076,494	(1%)	1%	15%
Parking Tax	2,342	2324	53,536,441	(1%)	6%	8%
Utility Users Tax	1,976	1,936	74,797,015	(1%)	8%	15%
Total	206,209	86,602	\$723,697,293	(2%)	1%	9%

The **Audit Unit** is comprised of two audit teams dedicated to performing business tax audits. One team is dedicated to performing payroll expense tax audits; the other performs parking and hotel third party tax compliance audits.

Fiscal Year 2005-06

- The Audit Unit completed 531 audits (482 payroll, 30 parking and 19 hotel).
- Generated \$5,170,684 in audit deficiency billings, a 39.2% increase compared to previous fiscal year

Type Of Audits	2002-03	2003-04	2004-05	2005-06
Payroll Tax	\$19,508,478	\$4,881,835	\$3,318,035	\$3,666,933
Parking Tax	\$944,556	\$2,717,963	\$373,283	\$417,592
Hotel Tax	\$1,248,018	\$462,143	\$22,398	\$1,086,159
Total Billings	\$21,701,052	\$8,061,941	\$3,713,716	\$5,170,684

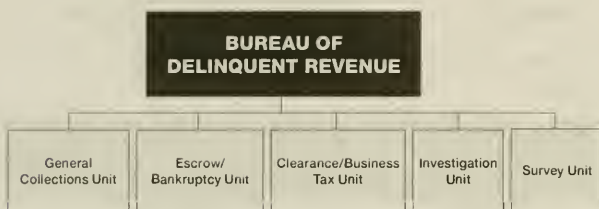
- The top twelve audits, each generated billings in excess of \$100,000, and totaled \$3.1 million or 56% of total billings for Fiscal Year 2005-06. These audits are listed below:

Business Tax Large Deficiency Audits (Billings greater than \$100,000) FY 2005-06		
TAXPAYER	AUDIT TYPE	AMOUNT
Hotel Operator	Hotel Tax	\$1,048,140
Utility Provider	Payroll Tax	426,224
Linen Supplier	Payroll Tax	267,387
Parking Operator	Parking Tax	254,469
Venture Capital Company	Payroll Tax	240,060
Management Solutions Provider	Payroll Tax	186,093
Interior Designers	Payroll Tax	151,636
Art & Design School	Payroll Tax	127,233
Real Estate Asset Managing Company	Payroll Tax	121,299
Investment Banking Company	Payroll Tax	112,727
Limousine Service Provider	Payroll Tax	100,297
Hotel Operator	Payroll Tax	100,154
Grand Total		\$3,135,719

Audit Impact (5 Year Average)						
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	5 Yr Avg
Number of Audits	400	438	515	540	531	485
Audit Hours	9,640	11,915	15,286	19,116	21,195	15,430
Avg Hours per Audit	24	27	30	30	40	32
Audit Billings	\$5,083,304	\$21,701,053	\$8,061,941	\$3,713,716	\$5,170,684	\$8,746,140
Avg Billing per Audit	\$12,708	\$49,546	\$15,654	\$5,998	\$9,738	\$18,041

BUREAU OF DELINQUENT REVENUE

The **Bureau of Delinquent Revenue (BDR)** is the official collection arm of the City and County of San Francisco. It is authorized to collect all accounts receivable over \$300 and at least 90 days overdue. Current departmental clients include: San Francisco General Hospital, Laguna Honda Hospital, Department of Public Works, Adult Probation, Fire Department, Mayor's Office of Community Development, Department of Parking and Traffic, City Planning, Ethics Commission, Trial Courts, Recreation & Parks and the Water Department.



The Bureau of Delinquent Revenue is divided into five units, each of which has separate and distinct roles:

The **General Collections Unit** processes delinquent accounts from various departments. A majority of accounts are referred from S.F. General and Laguna Honda hospitals. Various additional accounts are referred from the Department of Public Works, the Mayor's Office, Recreation & Parks, the Water Department, Trial Courts, and S.F. Housing and Redevelopment.

The **Escrow/Bankruptcy Unit** researches, compiles data and files claims on outstanding debts owed to the City once escrow or bankruptcy is filed. The unit's extensive database research begins when notices are published or notices are received. All title company demands are referred to this unit.

The **Clearance/Business Tax Unit** works with business owners and with the Business Tax and Property Tax sections to collect or resolve delinquent business-related taxes, such as payroll taxes, registration fees, and unsecured personal property taxes. All outcomes are resolved in a manner equitable to both the customer and the City. In Fiscal Year 2005-06, Clearance expanded its collections to include delinquent unsecured supplement taxes.

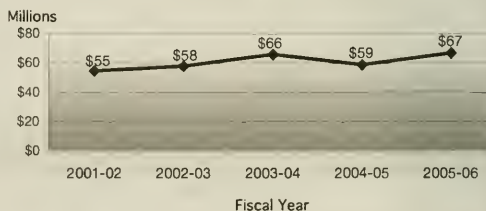
The **Investigations Unit** ensures that taxpayers comply with city and state tax regulations. The unit operates in support of all sections in the Tax Collection Division and is responsible for a wide range of enforcement activities including: surveys, surveillance, small claims filings, judgment renewals, post-judgment execution, seizures, summary judgments, complex accounts, Franchise Tax Board offsets, citations, and business and unsecured personal property tax liens.

Within the **Survey Unit**, investigators are assigned to systematically research, inspect and interview city businesses with potentially high revenue. Overall, approximately 20% of businesses surveyed in this manner were unregistered. In addition to surveys of unregistered businesses, investigators collect on delinquent accounts regarding third party taxes. Third party tax enforcement efforts include two sub-units: Clerical and Accounting. The Clerical Unit performs data entry, tracks check controls, provides counter service, liaisons with the citywide Purchasing function, distributes mail, and other clerical functions. The Accounting Unit prepares financial reports, posts, adjusts and balances accounts, and performs accounting related duties.

Fiscal Year 2005-06

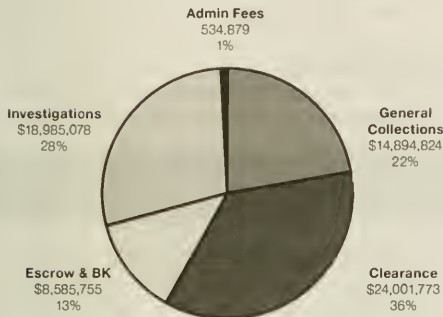
- BDR collected \$67,002,310 in delinquent revenue, the highest collection in its history.

BDR Collections
5 Year Historical Comparison

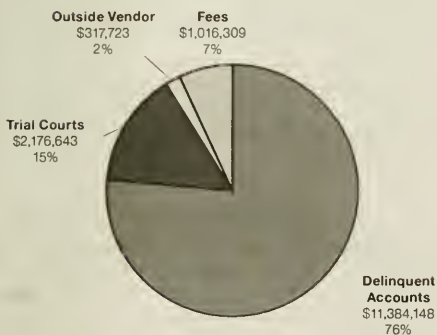


- A breakdown of delinquent revenue collected by unit is as follows:

**Bureau of Delinquent Revenue
Total Collections FY 2005-06
BT & UPP**



**Bureau of Delinquent Revenue
General Collections FY 2005-06**



- The General Collections Unit collected \$14.9 with over three quarters generated from delinquent city accounts.
- The Escrow/Bankruptcy Unit collected \$8.5 million, a \$96,478 (or 1%) decrease from last fiscal year.
- The Clearance Unit collected \$24 million in delinquent business-related taxes and \$413,514 in administrative fees. The unsecured personal

property tax (UPP) delinquency rate for FY 2005-06 was 2.52%, a slight decrease from 2.53% last fiscal year. Administrative fees collected for unsecured personal property taxes totaled \$121,365.

- Investigators were creative in research approach and generated \$17.0 million from its survey activities, a \$7.4 million (or 6%) increase from previous fiscal year. During Fiscal year 2005-06, the survey unit collected a total of just under \$19 million.
- With counter activity continuing to increase, the clerical unit provided initial customer service to 28,205 customers, a 7% increase in customers compared to last fiscal year. Further, clerical staff unit also coordinated the issuance of over 139,472 notices.

LEGAL SECTION

The **Legal Section** files collection actions and litigates delinquent accounts within the Office of the Treasurer & Tax Collector's jurisdiction, becoming involved in specific cases only when other collection efforts have failed. The Legal section also responds to legal challenges to the Department's claims in bankruptcy court, probate court, and the state superior courts on judicial foreclosure and hospital cost recovery liens, and serves as legal advisor on collection issues.

The Legal Section provides legal advice and representation to the Bureau of Delinquent Revenue whenever a creditor claim or tax lien is in jeopardy of not being paid in the course of administering the bankruptcy case. Legal Section attorneys are called upon to give legal advice and recommendations to section supervisors and line staff on a variety of collection issues. The most significant topics were:

- Residential exemption in the parking tax ordinance
- Demand payment on claims where the statute of limitations has expired
- Procedure for disallowing erroneously claimed new jobs tax credit
- Making a subsequent tax determination for the same tax year
- Legal collection strategies on specific parking operator cases

The Legal Section also performs a variety of tasks in support of various departmental initiatives that required legal expertise. These include:

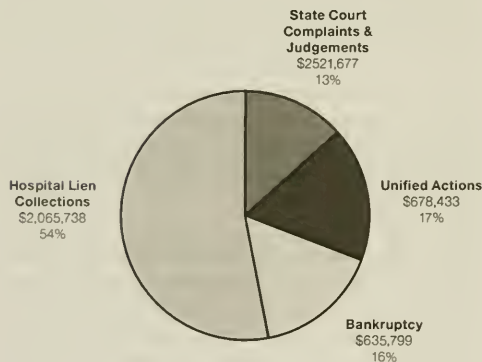
- Providing advice to the Tax Collector on issues arising from Court of Appeals remand
- Acting as liaison on regulatory compliance by valet parking operators
- Recommending code amendments regarding valet parking operators
- Participating and provide legal advice on parking tax deficiency determinations
- Preparing administrative subpoenas in support of audit investigations

Fiscal Year 2005-06

- The Legal Section assisted in the collection of \$3.9 million from legal cases.

Legal Section Collections

FY 2005-06



ACCOUNTING SECTION

The **Accounting Section** provides accounting and support services to the Office of the Treasurer & Tax Collector. The section batches, balances, posts and performs daily and monthly reconciliation of tax collections for the Property Tax and Business Tax sections, and reconciles transactions on the City's Financial Accounting Management Information System (FAMIS). The Accounting Section also generates various statistical reports for the department and for the Office of the Controller.

The primary goals of the Accounting Section are to:

- Provide adequate internal control systems to safeguard the City's assets
- Ensure payments are recorded timely and accurately
- Provide reports to other city agencies
- Assist the department with improving efficiency and productivity

Fiscal Year 2005-06

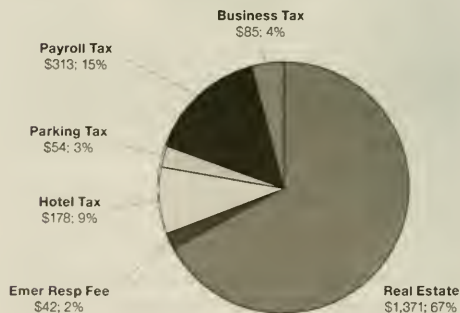
- The Accounting Section reconciled 600,000 tax related transactions, totaling \$2.0 billion.

Accounting Section Reconciled Collections FY 2005-06			
Tax Type	\$ millions	%	# Payments
Real Estate (Property Tax)	\$1,371	67%	467,719
Emergency Response Fee	42	2%	744
Hotel Tax	178	9%	4,725
Parking Tax	54	3%	6,847
Payroll Tax	313	15%	33,246
Business Tax ¹	85	4%	86,639
Total	\$2,044	100%	599,920

¹ (Gross, Roofers Fee, Reg Fee, Utility Tax)

Accounting Section Reconciled Collections FY 2005-06

\$ millions



INVESTMENT DIVISION

The Investment Division is responsible for managing and investing the City and County of San Francisco's funds to ensure sufficient liquidity to meet all anticipated disbursements. It is the policy of the department to invest public funds in a manner that will provide:

- Preservation of capital
- Liquidity to meet the daily cash flow demands of the City
- Investment return while conforming to all state and local statutes governing the investment of investment of public funds
- Social responsibility

The Investment Division is comprised of the Cash Management Section and Banking and Treasury Accounting Services.



CASH MANAGEMENT SECTION

The **Cash Management Section** manages the investment function and daily operations of the City's cash management program. This section is responsible for the general investment pool of approximately \$3.25 billion, cash flow analysis and projections, strategy development, trade execution, credit review and compliance activities. The department invests city funds in compliance with the Office of the Treasurer's Investment Policy, City Charter Section 6.106 and with the California State Government Code, Section 53600, when purchasing investment securities. The types of permissible investment securities include Negotiable Certificates of Deposits, Commercial Papers, Banker's Acceptances, Federal Agency Notes and U.S. Treasury instruments. Common stocks are excluded

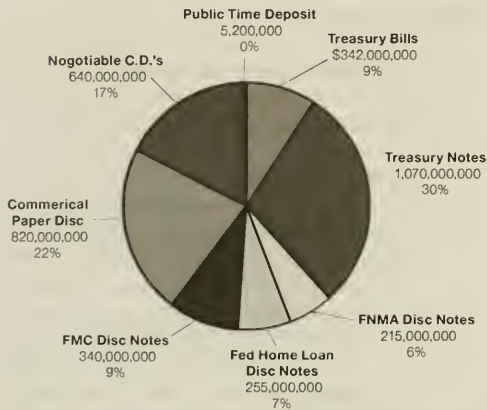
from permissible investments. The Cash Management Section has consistently demonstrated prudent portfolio management with excellent results.

Fiscal Year 2005-06

- The Treasurer acts as paying agent for various CCSF-issued General Obligations bonds. The Investment Division paid out \$70 million in interest payments and \$89 million in principal payments to bondholders.
- The Investment Policy of the City and County of San Francisco was substantially revised in format to conform with the standard endorsed by the Public Treasurers Association of the United States and Canada. In addition, the policy was modified to add an additional objective subordinate to those involving safety, liquidity and yield. This new objective, social responsibility, includes encouraging investment entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons. Investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing and deferred deposit (payday-lending) businesses.
- The Investment portfolio of \$3.6 billion earned \$132 million, an earned income yield of 4.2% for the fiscal year ending June 30, 2006.

Investment Type	Par Value (\$ Millions)	% Of Total	Book Value (\$ Millions)	Accrued Interest (\$ Millions)
Treasury Bills	\$342	9.2%	\$334	
Treasury Notes	1,070	29.0%	\$1,061	\$7+
Fnma Notes	215	5.8%	\$212	
Fed Home Loan Notes	255	7.0%	\$254	
Fmc Disc Notes	340	9.2%	\$335	
Commercial Paper	820	22.2%	\$813	
Negotiable C.D.'S	640	17.5%	\$640	\$3+
Public Time Deposit	5	0.1%	\$5	
Total	\$3,687		\$3,654	\$11

Investment Division Portfolio Statistics
Investment Outstanding as of June 30, 2006
\$ in Millions



In addition to the investment function, the Cash Management Section also manages the City's relationships with financial service providers, and develops and implements citywide banking policies and services including wire transfers, check processing, convenience fees, and credit card acceptance.

This section provides other city departments with banking services and depository services. This includes sending wire or automatic clearing house (ACH) payments to various vendors and financial institutions on behalf of requesting department and includes providing any department with the ability to accept wire payments or electronic funds transfers from their customers through the City's wiring account.

Fiscal Year 2005-06

- Processed 1,678 wires valued at \$1.5 billion
 Aside from managing the investment function and the daily deposit and disbursement of city funds, the Cash Management Section also implemented the following major projects:
- Implemented Bank of America (BA) Direct - an online banking system to eleven city departments which allowed them to access their bank accounts and obtain various online reports. More departments will be implemented in the next fiscal year
- Implemented a centralized email address for wires requests and confirmation

Portfolio statistics for FY 2005-06

	Pooled Funds	All Funds
Interest Received	\$119,311,232	\$123,903,953
Net Earnings	\$131,785,203	\$136,977,923
Earned Income Yield	4.196%	4.185%
Average Age of Portfolio	148 days	148 days

Investment Yield Comparisons

	FY 01-02	02-03	03-04	04-05	05-06
San Francisco Pooled	4.139%	2.766%	1.890%	2.331%	4.196%
Average 90 Day US T Bills	2.670%	1.200%	1.280%	2.210%	4.050%
State Local Agency Fund Pooled	3.430%	2.180%	1.530%	2.256%	3.850%

BANKING AND TREASURY ACCOUNTING SERVICES

Banking and Treasury Accounting Services is responsible for reconciling and accounting for the receipt and deposits of all revenues collected by the Office of the Treasurer & Tax Collector. These functions are performed in accordance with generally accepted accounting principles.

The Banking Operations staff processes the Port's lockbox collections and all monies collected from the State and through electronic fund transfers. It also accounts for the receipt and deposit of all payments received by and through the cashiering section of the Office of the Treasurer & Tax Collector and records them in the City's general ledger system (FAMIS). These payments come through the cashiering windows, mailroom, Internet/online, phone and over-the-counter credit card payments. Banking Operations also provides verifications to the City's banking institutions and provides banking support services to various City departments.

The Treasury Accounting Services staff reconciles city bank accounts, processes accounting entries such as accounts payable transactions, bank adjustments, and revenue transfers. It also assists in the department's annual budget process and processes payment requests for missing/absent heirs.

SOCIAL PROGRAMS

In January 2005, Mayor Gavin Newsom and Treasurer José Cisneros launched the Working Families Credit Program. The Credit, which is funded partly by city funds and partly by private donations, provides a 10% match to the federal Earned Income Tax Credit. The Working Families Credit was created to help low-income working families live and thrive in San Francisco and to encourage more families to apply for the federal Earned Income Tax Credit. In its second year of operation, more than 11,500 families received the credit in 2006, an increase of 19% over the previous year. The average credit amount was \$200, and our eligible families received approximately \$26.5 million from the federal government. The program has now moved beyond the pilot phase, and been written into the City's permanent budget. In 2007, the Human Services Agency will take over as the managing agency for the WFC and will start linking these families with other federal, state and local benefits.

In Fiscal Year 2005-06, the Treasurer embarked upon another initiative for working families in San Francisco. It is estimated that approximately 50,000 San Franciscans are "un-banked." The initiative is to enlist the commitment of San Francisco financial institutions to help families and individuals to join the financial mainstream, safeguard their money and build assets for the future by offering products to those un-banked individuals. The program will aim to eliminate barriers that prevent people from opening bank accounts such as the perceived high costs of accounts, lack of standard personal identification, or a poor credit history.

BIOGRAPHIES



TREASURER JOSÉ CISNEROS

In September 2004, Mayor Gavin Newsom appointed José Cisneros as **Treasurer** for the City and County of San Francisco. As Treasurer, he serves as the City's banker and chief investment officer, managing all tax and revenue collection for San

Francisco. He was elected to a full term by San Francisco voters in November 2005.

Treasurer Cisneros is proud to lead an accomplished and effective city department. Under his tenure, the office has achieved the lowest-ever property tax delinquency rate in the history of San Francisco. This means more services for the people of San Francisco, and lessens the pressure to increase taxes. Treasurer Cisneros has also achieved high investment returns, outpacing other large California counties—while preserving the safety and liquidity of the City's money. He is also proud of the excellent customer service offered to the people of San Francisco, which has consistently been rated "excellent" or "good" by more than 90% of those surveyed.

Treasurer Cisneros strongly believes that his role of safeguarding the City's money extends to all San Francisco residents. In January of 2005 Treasurer Cisneros led the implementation of the Working Families Credit Program, an innovative public/private partnership providing a tax credit to qualified San Francisco families. More than 11,500 of the City's lowest-income working families have received over \$2 million from the program, which provides a match to the federal Earned Income Tax Credit. Treasurer Cisneros continues to expand his role as a financial educator and advocate for low-income San Franciscans through creating innovative programs aiming to give all city residents access to a bank account and lessen the need for check cashers and payday lenders.

Prior to his appointment, Treasurer Cisneros served as Deputy General Manager for the San Francisco Municipal Transportation Agency. In this capacity, he managed MUNI's \$7 billion capital program designed to repair,

replace and enhance system assets – including the 3rd Street Rail extension serving Chinatown, Mission Bay and the residents of Bay View and Hunters Point. Before working at MUNI, Treasurer Cisneros served as a member of the MTA Board of Directors and was instrumental in creating Proposition E, the Muni Reform Charter Amendment.

Treasurer Cisneros has a strong business background in the private sector, previously working for IBM Corporation and Lotus Development Corporation as a Senior International Product Manager. Prior to this, he was an Assistant Vice President at Bank of Boston where he managed financial product portfolios valued at over \$100 million.

José Cisneros received his Bachelor of Science from Sloan School of Management at the Massachusetts Institute of Technology (MIT) and studied for an MBA at Boston University. He lives with his partner in San Francisco.



GEORGE PUTRIS, TAX ADMINISTRATOR

Tax Administrator George Putris is a lawyer who has spent his career specializing in taxation law. Through both private practice and public service, he has gained extensive experience in the areas of federal income taxation,

property taxation, state and local taxation, tax litigation, municipal finance, tax-exempt organizations and tax legislation. Immediately prior to undertaking the position of Tax Administrator, Mr. Putris practiced law in the San Francisco City Attorney's Office, where, as Deputy City Attorney, he served primarily as counsel to the Office of the Treasurer & Tax Collector.

Mr. Putris is a graduate of the Martin Luther King, Jr. School of Law at the University of California, Davis. He also has an LL.M. degree in Taxation Law from New York University. He received his BA degree from the University of California, Berkeley. Mr. Putris is a member of the California Bar Association. He is the Chair of the Legislative Committee of the California Association of County Treasurers and Tax Collectors.



**PAULINE MARX,
CHIEF ASSISTANT TREASURER**

As **Chief Assistant Treasurer**,

Pauline Marx serves as Deputy to José Cisneros in administering the operations of the Office of the Treasurer & Tax Collector, formulating citywide financial policies, the department's

budget and controlling the receipts, management and disbursement of city funds.

Pauline Marx joined the Office of the Treasurer & Tax Collector in January of 2005 after serving nine years with the City of Emeryville as Finance Director and Treasurer. In Emeryville her duties included management of the City's accounting and revenue collection functions, budgeting, debt and investments, and the City's information technology efforts.

Pauline Marx grew up in New York City. She has a bachelor's degree from the University of Michigan and an MBA from Yale School of Management. She has lived in the San Francisco bay area since 1979, working for both the private sector and the public sector, always focusing on the intersection of business and public policy at the local government level.



**DANIEL P. DALY,
CHIEF INVESTMENT OFFICER**

Since June of 1981, Daniel P. Daly has served as the **Chief Investment Officer** for the City and County of San Francisco. During his tenure, the City "Pooled Portfolio" has grown from \$500 million to the present portfolio of \$3.8 billion dollars.

In addition to his investment duties, Dan also directs the banking relationships for the City & County and is a trustee of the Transport Workers Union Municipal Railway Trust Funds.

Prior to joining the Office of the Treasurer & Tax Collector, Mr. Daly worked for Citibank in New York City as an Assistant Vice President for marketing. Mr. Daly also worked as a Vice President for First Interstate Bank (Wells Fargo) managing securities broker-dealer relationships. Mr. Daly

is an alumnus of Fordham University and a veteran, having served in the United States Marine Corps in Vietnam.

KEY CONTACTS

Treasurer	José Cisneros	554-4478
Tax Administrator	George Putris	554-4874
Chief Assistant Treasurer	Pauline Marx	554-5260
Chief Investment Officer	Daniel P. Daly	554-4487
Policy and Legislative Manager	David Augustine	554-7601

SECTION MANAGERS:

Accounting Section	Wilson Hsu	554-4327
Administration Section	Pauline Marx	554-5260
Bureau of Delinquent Revenue	Florence Mar	554-4608
Business Tax Section	George Putris (*acting)	554-4874
Cash Management Section	Janet Tolenada	554-5263
Cashiering Section	Sonia Martinez	554-4490
Legal Section	Robert Fletcher	554-4492
Management Information Section	Darrell Ascano	554-4438
Property Tax & License Section	Francis Nguyen	554-4448
Taxpayer Assistance & Passport Services	DJ Dull-MacKenzie	554-4643

OFFICE OF THE TREASURER & TAX COLLECTOR City and County of San Francisco

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ANNUAL REPORT FISCAL YEAR 2006-2007

Office of the Treasurer & Tax Collector
Honorable José Cisneros, Treasurer
City and County of San Francisco



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Letter from Treasurer José Cisneros



Welcome to the 2006-07 Annual Report for the Office of the Treasurer & Tax Collector. In November of 2005 I was elected by the people of San Francisco to serve as Treasurer – the City's banker, tax collector, collection agent and investment officer. I am proud to have been entrusted to this important role by the San Francisco voters, and I am equally proud to be able to report on another extremely successful year in office.

This year, the continued success of the Bank on San Francisco initiative was evident in the numbers: 11,110 accounts were opened in the first year of the pilot alone, with an average monthly account balance of \$793. Bank on San Francisco proves that with the right mix of products and outreach the unbanked can succeed in the financial mainstream. In light of this success, we are increasing our goals and are aiming to open 20,000 accounts by October 2008.

The 2006-07 year was marked by success within our various taxation and collection sections. In Property Tax we billed, collected, and processed over 450,000 property tax bills and statements, and our staff's diligent efforts resulted in another very low delinquency rate – just 1.42% – for secured property taxes. The Bureau of Delinquent Revenue collected \$65 million in fees due to the City – its second highest total ever, just 2.9% shy of last year's record collections of \$67 million. The Business Tax Audit Unit successfully conducted 556 audits, bringing in approximately \$7.1 million in deficiency billings, a 37.5% increase over the last fiscal year.

The Office of the Treasurer & Tax Collector not only collects all taxes and fees owed to the City; we also invest and safeguard the City's money. This past fiscal year, the investment portfolio of \$3.57 billion earned \$188 million, with an earned income yield of 5.19% as of June 30, 2007.

With respect to a different type of "green", this year we developed a FY 2007-08 budget that includes innovative efficiency programs for the Office, with an emphasis on increasing the utilization of technology, while reducing the use of paper.

All of these achievements mean more money for the things that are important to San Franciscans – better transportation, cleaner parks, safer streets, and improvements in our city schools and programs which help everyone in our community to thrive.

On behalf of the over 200 staff of the Office of the Treasurer & Tax Collector, I am proud to report on a very successful Fiscal Year 2006-07. The citizens of San Francisco may be assured that we will continue to uphold and expand this level of service and excellence in the coming years.

Sincerely,

A stylized handwritten signature in dark ink, consisting of several loops and a long horizontal stroke at the bottom.

José Cisneros

Mission Statement

The mission of the Office of the Treasurer & Tax Collector is:

- to facilitate voluntary compliance with the tax laws of the City and County of San Francisco by simplifying all processes and procedures and by providing efficient customer service;
- to collect all taxes and fees due to the City; and
- to provide safekeeping for all city funds, prudently investing the monies to achieve maximum yield with low risk and high liquidity.

The Office of the Treasurer & Tax Collector serves two basic functions for the citizens of the City and County of San Francisco:

1. The collection of taxes and other city revenue

Through the mail, in person at the City Payment Center, and via the Internet, the Office of the Treasurer & Tax Collector collects taxes and other obligations owed to the City including business taxes, property taxes and fees for various business licenses and permits required by the Municipal Code. Tax Collection units collect over \$2 billion annually in property taxes, business taxes and license fees. Additionally, the Office of the Treasurer & Tax Collector investigates and collects unreported and delinquent tax obligations. The Office of the Treasurer & Tax Collector also contracts to collect current and delinquent obligations owed to other city departments, such as water and hospital bills.

2. The oversight of monies before disbursement

The Office of the Treasurer & Tax Collector manages all city funds in order to gain the maximum return with low risk and high liquidity, including investing the City's portfolio of pooled funds. The Treasurer works with all city departments to ensure that funds are received, deposited and reconciled as quickly and accurately as possible, providing the maximum interest and investment returns for the people of San Francisco. The Treasurer administers and monitors the bank accounts and wire transactions used by all city agencies, contracts with banks for their services, and disburses payments on the City's General Obligation municipal bonds.

Highlights of Fiscal Year 2006-07

Bank on San Francisco

The innovative "Bank on San Francisco" program, which assists unbanked households by helping them obtain bank accounts and eliminating the need to use costly check cashers, opened with great success with more than 11,000 accounts being opened in the first year of the pilot program.

High Number of Transactions and Dollars

The Cashier Section processed 1.4 million payments in Fiscal Year 2006-07 totaling just under \$2.5 billion, an increase of \$80 million over the previous fiscal year.

Investment Portfolio

The Investment portfolio of \$3.57 billion during the period earned \$188 million and an earned income yield of 5.19% for the fiscal year ending June 30, 2007.

Property Tax Collection Increased

Property tax revenue increased by nearly \$111 million to just under \$1.4 billion, a nearly 9% increase from the previous fiscal year.

Regulatory Business License Collection

The License Section processed 71,532 license accounts for the Police, Fire, Public Health, Emergency Communications, and Animal Care and Control Departments totaling over \$10.9 million, an increase of \$698,319 (7%) from the previous fiscal year.

Large Increase in Registration of Independent Contractors and Other Businesses

The Taxpayer Assistance Unit processed 25,821 new business registrations, nearly double the annual average. This figure includes thousands of new business accounts for a variety of categories of previously unregistered independent contractors.

Audit Deficiency Billings Increased

The Audit Unit completed 556 audits, generating \$7,109,404 in audit deficiency billings, a 37.5% increase compared to previous fiscal year.

Thorough and Exhaustive Survey of City Parking Operations

The department conducted and completed a survey of parking station locations in San Francisco as an instrumental component of enforcing the newly enacted Revenue Control Equipment ordinance.

Delinquent Revenue Collections at Near Record

The Bureau of Delinquent Revenue collected \$65 million, its second highest total ever, just shy of the previous year's record collection of \$67 million.

Successful Collections through Legal Efforts

Legal Section was instrumental in collecting over \$4.4 million through its diligent efforts in the areas of Third Party Hospital Cost Recovery Liens, Unfiled Actions, Filed Actions in State Courts, and Bankruptcy Collection litigation.

Expansion of Passport Services and Large Increase in Passport Processing

The Passport Services Unit became the first and only public facility to work with the federal passport offices to serve in an annex capacity, providing applicants with emergency "Will Call" service. This vital service has been immensely popular and successful. In an unprecedented year of nationwide passport demand, the Passport Services Unit processed 11,110 passport applications – a 19% increase over the previous year.

Department Description

BACKGROUND

The position of San Francisco Treasurer is an elective office created by the City Charter in 1850. In July 1979, a charter amendment added the office and duties of Tax Collector to the Treasurer's responsibilities. The Office of the Treasurer & Tax Collector serves as the banker, collection agent, and investment officer for the government of San Francisco, the only combined city and county in the state of California.

PROGRAMS AND SERVICES

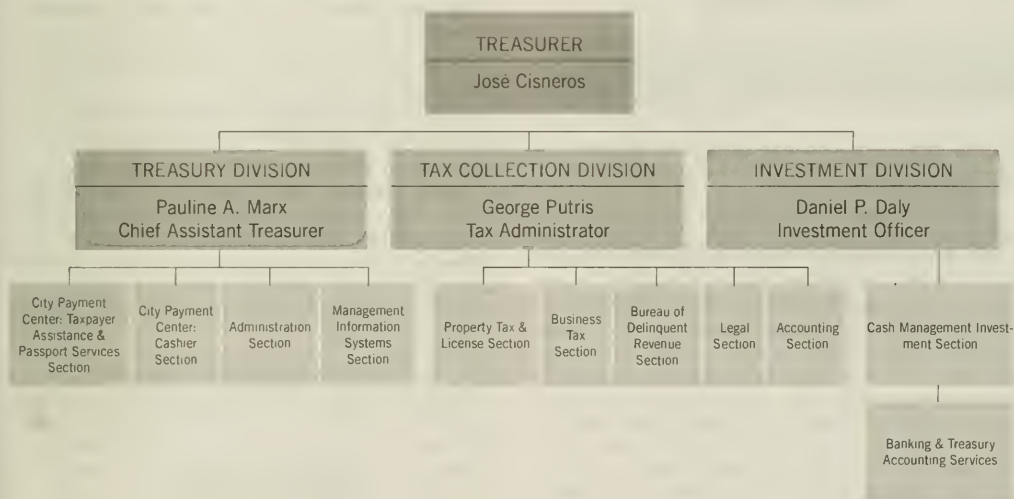
The Office of the Treasurer & Tax Collector serves the citizens of San Francisco by providing information and services to the public in the following areas:

- Property Tax
- Business Taxes (Payroll, Hotel/Occupancy, Parking, Roofers, Stadium, Utility)

- Business Registration and Regulatory Licenses
- Dog Licenses
- U.S. Passport Application Acceptance
- Water Department Payments
- Recreation and Parks Services (Golf Resident Card, Swimming Pool Scrip)
- Transit Passes (MUNI, BART, Caltrain, Golden Gate Transit, AC Transit, SamTrans)
- Social Programs – Working Families Credit Program, Bank On San Francisco Initiative

ORGANIZATIONAL STRUCTURE

The Office of the Treasurer & Tax Collector is organized into three divisions comprised of a total of eleven sections:



Treasury Division

CITY PAYMENT CENTER

The **City Payment Center**, located in City Hall Room 140, provides a centralized location for taxpayers, city departments, city employees and the general public to make payments, transact business, and receive information about local taxes and other government services effectively and courteously. In addition to providing information and service with regard to property taxes, business taxes, business registration and licensing, the City Payment Center also offers services regarding water bill payment, acceptance of U.S. passport applications, and purchase of various public service commodities, including transportation passes for Muni, BART, Caltrain, and other local transit carriers.

The City Payment Center consists of two sections: **Taxpayer Assistance & Passport Services and Cashier.**



TAXPAYER ASSISTANCE & PASSPORT SERVICES SECTION

The **Taxpayer Assistance (TPA) Unit** offers assistance in San Francisco's business registration, property tax, licenses, city services, collection notices, and other matters of general assistance. Staff members with extensive training work with customers to assess need, provide specialized assistance, and make referrals to appropriate sections within the Office of the Treasurer & Tax Collector as well as to other city and county departments. The TPA staff provides efficient and courteous service in a variety of capacities – in person at various service counters located within the City Payment Center, over the phone by means of a 45-hour-per-week call center, and through electronic and traditional written communications. Senior staff members also perform outreach to a variety of community, neighborhood and business organizations, educating the public about local requirements and available city resources. This section embodies the department's philosophy that customers' needs are a priority and that the public should receive quality service and accurate information in a timely manner.

The **Passport Services Unit** was created in 1999 to serve as an acceptance office for U.S. Passport applications. Staff members serve as authorized acceptance agents, verifying the identity of passport applicants, ensuring that all required

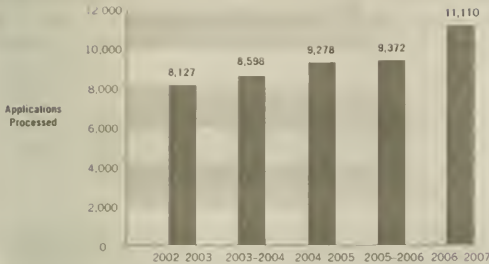
documentation is submitted, accepting payment for the passport and related fees, and serving as an information resource for the public regarding passport issuance and legislation. The Passport Services unit has earned a reputation as the premier passport acceptance facility in Northern California and is the primary referral by the San Francisco Passport Agency for passport services in the Bay Area. The unit continues to simplify the passport application process for thousands of travelers and new citizens.

Fiscal Year 2006-07

The TPA and Passport Services Section had perhaps the busiest and most productive year in its history, while maintaining its unflinching emphasis on customer service.

- TPA processed 25,821 new business registrations, nearly double the annual average. This figure includes several thousand new business accounts for many previously unregistered independent contractors (including limousine drivers, taxi drivers, residential landlords of building of four or more units, et. al.) and responded to well over 100,000 customer inquiries through service counters, customer service phone lines, email, and written correspondence.
- In an unprecedented year of nationwide passport demand, the Passport Services Unit processed 11,110 passport applications – a 19% increase over the previous year – and earned over \$330,000 in revenue for the City. Additionally, the unit became the first and only public facility in the Bay Area to work with the federal passport offices to be able to provide emergency “Will Call” service to passport applicants, a vital and successful service that has been immensely popular.
- 95.6% of customers who voluntarily submitted “Customer Service Feedback” surveys (132 out of 138) ranked TPA and Passport Services units’ overall service as either “Excellent” or “Good”, marking the eighth consecutive year exceeding a 90% approval rating for service.
- TPA conducted or participated in leading 18 different informational seminars, including a monthly hour-long workshop on “Starting a Small Business in San Francisco”.

City Payment Center – Passport Services 5-Year comparison

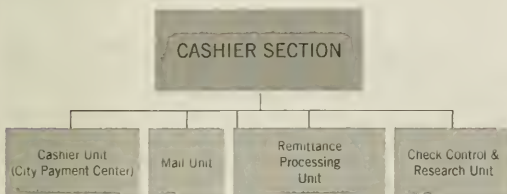


CASHIER SECTION

The **Cashier Section** is responsible for accepting and processing all types of tax payments, registration and license fees. These items include payments received through the mail, presented in person, paid by credit card or wire, and via the Internet. The Cashier Section also processes payments for the Department of Public Works, the Public Utilities Commission, and the Emergency Communications Department and receives and banks deposits from several city departments.

In addition to processing payments, the Cashier Section provides goods and services to the general public as well as to city employees. The Cashier Section is an authorized vendor for Golfer's Resident Cards and swimming pool scrip tickets on behalf of the Recreation and Parks Department as well as numerous types of Bay Area public transit passes, and Municipal Transportation Agency (MTA) Parking Meter Debit Cards.

The Cashier Section is comprised of four units, which work together to process and post all payments:



The **City Payment Center Cashier Unit** accepts payments from taxpayers, sells transit items, issues taxi driver "A Cards" and Golfer's Resident Cards, receives deposits from other City departments and processes mail payments. The **Mail Room Unit** sorts, opens, verifies, and distributes mail for the Office of the Treasurer & Tax Collector, Water Department and the Port of San Francisco. The **Remittance Processing Unit** processes water bills and other tax payments using high-speed National Cash Register (NCR) remittance machines. This unit also researches water payments received without account numbers or payment stubs. The **Check Control and Research Unit** researches and processes unidentified tax payment stubs for all sections of the Office of the Treasurer & Tax Collector.

Fiscal Year 2006-07

- The mail room sorted, opened and distributed 1.05 million pieces of mail totaling over \$2.680 billion.
- The Cashier Section processed 1.4 million payments in Fiscal Year 2006-07. The Remittance Unit processed 1.1 million of these payments (49% of which consisted of water bills collected for Water Department) while over 271,000 payments were processed over the counter.
- The Check Control and Research Units processed a total of over 100,000 items.
- The Cashier Section began selling prepaid Parking Meter Debit Cards to the public. The Cards are sold in \$20 and \$50 denomination with an average of 370 cards per month.
- The Cashiering Section set up a station at the Hall of Justice to facilitate the collection of Court Payments to better serve the public.

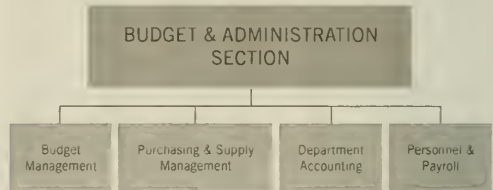
**Cashier Collections
Fiscal Year 2006-07**

Revenue Type	Items	Dollars
Real State Taxes	416,744	\$1,493,765,989
Business & Payroll Taxes and Fees	127,407	337,401,321
Parking, Utility Users, & Hotel Occupancy Taxes	14,273	329,688,833
Sales Tax & Others State Collections	27,918	169,992,468
Water Bills	668,132	281,945,221
Emergency Communications Fees	768	43,453,140
Licenses	33,282	8,582,228
Development Impact Fees and Others	67,917	15,490,930
Total	1,356,441	\$2,680,320,130

Payment Type	Dollars
Online	\$31,406,603
Credit card - IVR	12,957,344
Credit card - over the counter	50,926,082
Cash, checks	2,585,030,101
Total	\$2,680,320,130

BUDGET & ADMINISTRATION SECTION

The **Administration Section** provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector. The section also responds to requests for reports for the Mayor, Board of Supervisors, citizen interest groups and individuals, and other city departments.



The **Budget Unit** staff and senior managers develop the department's annual budget in collaboration with the managers of the eleven separate operating sections. A major component of the budget is work orders with other City and County Department and other government entities. The unit interacts with the Mayor's Office and Controller's Office in regards to budget approval, mid-year reports, hiring and new initiatives. The unit conducts cost analyses for various initiatives throughout the Office. The operating budget for Fiscal Year 2006-07 was \$27 million.

The **Personnel and Payroll Management Services Unit** is responsible for the recruitment and hiring of department personnel, employee compensation and employee records. The unit also provides management with recommendations relating to personnel decisions, interpretations regarding civil service regulations, and guidance with regard to disciplinary and accountability matters. Personnel staff monitors Workers' Compensation cases and ensures compliance with the American with Disabilities Act, Affirmative Action and the Family Medical Leave Act. The Payroll staff processes daily attendance data and prepares and submits bi-weekly time rolls.

The **Purchasing and Supply Management Services Unit** provides support to all sections by providing office supplies, equipment and other minor furnishings, arranging for maintenance of copiers and other office equipment, and managing a large inventory of forms, envelopes and statements. This unit coordinates the department's participation in citywide efforts such as the Combined Charities Campaign, recycling programs, blood drives, and trainings.

The **Departmental Accounting Services Unit** is responsible for accounts payable and for monitoring and analyzing spending patterns and historical data as part of the annual budget preparation process. This unit also supports section managers in tracking expenditures and ensuring appropriate posting of expenses.

Fiscal Year 2006-07

- Filled 113 vacancies for the Office of the Treasurer & Tax Collector
- Worked with section managers to screen over 1425 candidates to fill those vacancies
- Coordinated over 13 professional development opportunities and three conference-based trainings for a wide variety of staff.
- Administration division rolled out an organization wide ergonomics program – TTX Ergonomics Program – that provide staff with evaluations of their work area and new resources in an effort to improve individuals' overall work environment by making it more safe and healthy. The TTX Ergonomics Program was presented to employees. 195 employees attended the training.
- Developed FY 2007-08 Budget that included innovative efficiency programs for the Office that reduce paper and increase the utilization of technology

MANAGEMENT INFORMATION SERVICES SECTION

The **Management Information Services (MIS) Section** provides the department with full-time centralized support for all technological equipment, systems, and applications, including specialized mainframe and web-based applications for banking, investment and other business and finance-related functions. The MIS section is also responsible for the system administration of the department's local area network (LAN) and wide area network (WAN) services at the department's two locations – City Hall and the War Memorial Building.

The MIS Section coordinates custom programming issues, service requests, production support maintenance and security issues with the Department of Telecommunication and Information Services (DTIS), vendors and consultants. The section is also responsible for maintaining server resources and web design and contents. MIS ensures that sufficient documentation is maintained for all existing financial systems, and continues to work with the Office of the Controller as well as with other city departments to refine emergency preparedness plans and procedures.

Fiscal Year 2006-07

- Completed the conversion to SQL server database of the Business Tax Alchemy and Teleform applications
- Started the "Harvesting Project" for the Unsecured Personal Property accounts
- Completed the upgrade of workstations for employees in City Hall.
- Printed and mailed letters and/or statements for over 7,000 new taxicab driver Business Registration accounts, 200 limousine driver accounts and nearly 6000 apartment house lessor accounts
- Created new Business Tax System (BTS) database for form scanning and upload
- Created assessment database for the FY 07-08 Fisherman's Wharf Portside Business License Community Benefit District (CBD)
- Installed and set up Q-Matic queuing management systems to improve customer service
- Upgraded Rumba/WallData software – the terminal emulation for IBM mainframe, IBM iSeries (AS/400), UNIX, and HP systems
- Relocated the Business Tax Auditor's Unit to the 3rd Floor of 401 Van Ness
- Installed BrightStore 11.5 Backup upgrades of two servers (TTX and BTS01server)

Tax Collection Division

PROPERTY TAX & LICENSING SECTION

The **Property Tax & Licensing Section** is made up of three primary units:

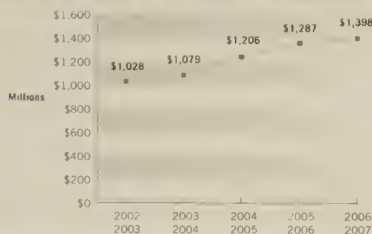


The **Real Estate Unit** bills, collects and processes payments for the regular, escaped and supplemental tax bills for the secured and unsecured taxes, various special assessments including the Fisherman's Wharf Community Benefit District, the Rent Board fees, the Alarm Registration Fees, and False Alarm Penalties. It is also responsible for processing approved refund requests for overpayments and duplicate payments of current and prior years' property taxes as well as refunds for the rent board fees program, alarm registration fees, false alarm penalties, dog license fees and other regulatory business license fees.

Unit Highlights

- Billed, collected and processed over 450,000 property tax bills and statements including 40,000 unsecured tax bills and 65,000 business license fees.
- Property tax revenue increased by nearly \$111 million (9%) compared to the previous fiscal year.
- The timely collection rate for secured property taxes was 98.58%.
- Successfully billed and collected the Fisherman's Wharf Portside Community Benefit District (CBD) special assessments totaling \$170,549 and the Deemed Approved Off-Sale Alcohol Use fees for the Department of Public Health.

Secured Property Tax Revenue Collection 5-Year comparison



- Supplemental property tax collection increased by more than \$14 Million (30%) from the previous fiscal year due to a large amount of new construction of commercial properties.
- The collection rate for the Apartment House License, Hotel License, and Rent Board Fees on the Secured Property Tax bills was 98.71%.

Secured Supplemental Property Tax Revenue Collection 5-Year Comparison

2002-2003	\$41,363,487
2003-2004	32,387,186
2004-2005	53,390,770
2005-2006	48,162,147
2006-2007	62,357,362

The **Tax Redemption Unit** bills, processes and computes payments for prior years' delinquent secured property taxes and maintains complete records on taxes being paid under five-year installment plans. It is also responsible for conducting the annual public auction sale of tax-defaulted properties subject to the tax collector's power to sale.

Unit Highlights

- The redemption delinquency rate was higher than the prior fiscal year. This could be attributed to a weak economy that made it difficult for delinquent taxpayers to pay off their tax delinquencies.
- The unit conducted a successful public auction sale of 63 tax-defaulted properties with a total revenue collection of \$736,291.

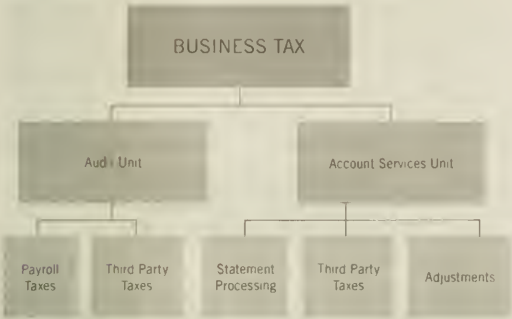
The **Business License Unit** collects, records, and reports regulatory business license fees mandated by the San Francisco Municipal Code, Part III. It is also responsible for the balancing, reconciling and reporting of all business license payments, dog license payments and the alarm registration fee and false alarm penalty payments.

Unit Highlights

- Processed 71,532 license accounts for the Police, Fire, Public Health, Emergency Communications, and Animal Care and Control Departments totaling over \$10.9 million, an increase of \$698,319 (7%) from last fiscal year's revenue of \$10.2 million. This monetary increase was due primarily to an increase in the Health and Fire Department license fees. License fees that have been delinquent for more than 90 days are promptly reported to the regulatory departments for collection.

BUSINESS TAX SECTION

The **Business Tax Section** of the Office of the Treasurer & Tax Collector is responsible for the assessment and audit enforcement of the business registration fee, payroll expense tax, roofers' vehicle tag fee and third party taxes for parking, hotel, and stadium operators, utility users, and for emergency response fees. The Section is comprised of the two distinct units – the Account Services Unit and the Audit Unit.



The **Audit Unit** is comprised of four audit teams dedicated to performing payroll expense tax audits as well as parking and hotel third party tax compliance audits.

The **Account Services Unit** is responsible for administering, maintaining, and processing accounts for the following:

- Annual Business Registration Renewals
- Quarterly and Semi-Annual Payroll Tax Prepayments
- Annual Payroll Tax Filings

- Business Payroll Tax Determinations
- Requests for adjustments, extensions and refunds
- Quarterly & Monthly Hotel, Parking and Utility Users Taxes
- Processing of various Tax Credits and Exemptions

Unit Highlights

- The Audit Unit completed 556 audits (507 payroll, 38 parking and 11 hotel).
- Generated \$7,109,404 in audit deficiency billings, a 37.5% increase compared to previous fiscal year
- Twelve audits each generated billings in excess of \$100,000, totaling \$4.9 million – or 69% of total billings for Fiscal Year 2006-07.
- Conducted and completed a survey of parking station locations in San Francisco related to the newly enacted Revenue Control Equipment ordinance.
- Participated in the Parking Tax Amnesty program, and handled various special tax projects.
- Upgraded the in-house business tax system to track parking tax accounts by location rather than by ownership, allowing for better monitoring and reporting processes.
- Improved processes in Account Service Unit by focused attention towards:
 - Problem accounts that require in depth analysis
 - Refunds, adjustments and waiver requests
 - Uploaded statements
 - Automatic posting of additional penalties

Type Of Audits	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Payroll Tax	\$19,508,478	\$4,881,835	\$3,318,035	\$3,666,933	\$6,900,876
Parking Tax	944,556	2,717,963	373,283	417,592	1,039
Hotel Tax	1,248,018	462,143	22,398	1,086,159	207,489
Total Billings	\$21,701,052	\$8,061,941	\$3,713,716	\$5,170,684	\$7,109,404

Audit Impact (5 Year Average)						
Type Of Audits	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	5 Year Avg
Number of Audits	438	515	540	531	556	516
Audit Hours	11,915	15,286	19,116	21,195	17,738	17,050
Avg Hours per Audit	27	30	35	40	32	33
Audit Billings	\$21,701,052	\$8,061,941	\$3,713,716	\$5,170,684	\$7,109,404	\$9,151,359
Avg Billing per Audit	\$49,546	\$15,654	\$5,998	\$9,738	\$12,787	\$17,735

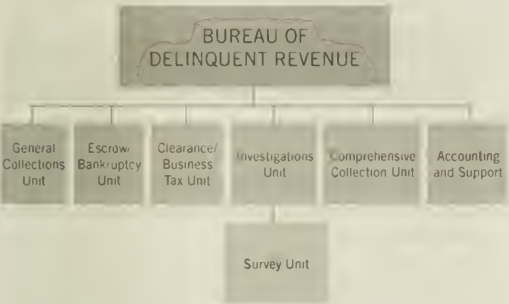
Business Tax Account Services FY 2006-07				Inc (Dec) from Prev Fiscal Year		
Tax Type	# of Statements Mailed	# of Payments Posted	\$ of Payments Posted	# of Statements Mailed	# of Payments Posted	\$ of Payments Posted
Payroll Tax Year 2006	87,019	6,853	\$289,541,376	(8%)	(17%)	5%
Business Tax Registration FY 2007-08	86,122	61,675	7,226,518	(8%)	(5%)	28%
Payroll Determination Tax Year 2006	3,302	1,148	6,385,107	(3%)	(38%)	30%
Payroll Tax Prepayments	10,125	11,090	206,918,512	23%	33%	35%
Hotel Tax	2,503	1,315	198,768,431	(3%)	(1%)	10%
Parking Tax	2,335	2,290	57,322,063	0	(1%)	7%
Utility Users Tax	1,944	1,944	75,630,275	(2%)	0	1%
Total	193,350	86,315	\$841,792,282	(6%)	(1%)	14%

Business Tax Large Deficiency Audits (Billings greater than \$100,000) FY 2006-07		
Taxpayer	Audit Type	Amount
Law Firm	Payroll Tax	\$1,195,188
CPA Firm	Payroll Tax	721,097
Law Firm	Payroll Tax	665,707
Hotel Operator	Hotel Tax	593,373
Law Firm	Payroll Tax	361,193
Law Firm	Payroll Tax	329,142
Law Firm	Payroll Tax	280,013
Law Firm	Payroll Tax	219,789
Real Estate Company	Payroll Tax	173,716
Law Firm	Payroll Tax	167,025
Catering Services Company	Payroll Tax	117,562
Law Firm	Payroll Tax	116,215
		Total \$4,940,020

BUREAU OF DELINQUENT REVENUE

The **Bureau of Delinquent Revenue (BDR)** is the official collection arm of the City and County of San Francisco. It is authorized to collect all accounts receivable over \$300 and at least 90 days overdue. Current departmental clients include: San Francisco General Hospital, Laguna Honda Hospital, Department of Public Works, Adult Probation, Fire Department, Mayor's Office of Community Development, Department of Parking and Traffic, City Planning, Ethics Commission, Trial Courts, Recreation & Parks and the Water Department, Criminal Fines and fees, False Alarm registrations and fees.

The Bureau of Delinquent Revenue is divided into six units, each of which has separate and distinct roles:



The **General Collections Unit** processes delinquent accounts from various departments. A majority of accounts are referred from S.F. General and Laguna Honda hospitals. Additional accounts are referred from the Hall of Justice, Department of Public Works, the Mayor's Office, Recreation & Parks, the Water Department, Trial Courts, the Housing Authority, and the Redevelopment Agency.

The **Escrow/Bankruptcy Unit** researches, compiles data and files claims on outstanding debts owed to the City once escrow or bankruptcy is filed. The unit's extensive database research begins when notices are published or notices are received. All title company demands are referred to this unit.

The **Clearance/Business Tax Unit** works with business owners and with the Business Tax and Property Tax sections to collect or resolve delinquent business-related taxes, such as payroll taxes, registration fees, and unsecured personal property taxes. All outcomes are resolved in a manner equitable to both the customer and the City.

The **Investigations Unit** ensures that taxpayers comply with city and state tax regulations. The unit operates in support of all sections in the Tax Collection Division and is responsible for a wide range of enforcement activities including: surveys, surveillance, small claims filings, judgment renewals, post-judgment execution, seizures, summary judgments, complex accounts, Franchise Tax Board offsets, citations, and business and unsecured personal property tax liens. In addition, this unit is responsible for the recent RCE parking tax enforcement.

Within the **Survey Unit**, investigators are assigned to systematically research, inspect and interview city businesses with potentially high revenue. Overall, approximately 20% of businesses surveyed in this manner were unregistered. In addition to surveys of unregistered businesses, investigators collect delinquent third party tax accounts.

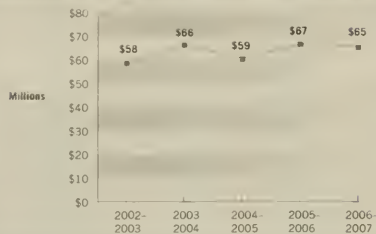
The **Comprehensive Collection Unit** was created as a pilot project on FY 2005-06 and was in full operations during FY 2006-07. The unit operates remotely from an outside location at Hall of Justice, 850 Bryant Street. The unit is responsible for the collection of delinquent criminal fines for S.F. Superior Court as well as Adult Probation fees and fines.

The **Accounting and Support Unit** performs data entry, tracks check controls, provides counter service, distributes mail, and performs other clerical functions. This unit prepares financial reports, posts, adjusts and balances accounts, and performs related accounting duties.

Section Highlights

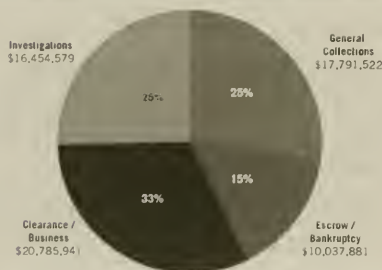
- BDR collected \$65 million in delinquent revenue, the second highest annual total ever, just 2.9% shy of the previous year's record collections of \$67 million. A breakdown of delinquent revenue collected by unit is as follows:
- The General Collections Unit collected \$17.8 million, with a total of over 30,000 payments. This collection represents an increase of almost 20% from FY 05-06.

BDR Collections 5-Year Historical Comparison



- The Escrow/Bankruptcy Unit collected \$10.0 million, representing an increase of \$1.45 million (or 17%) over last fiscal year. The increase was due to the many real estate properties sold and the many escrow claims filed and collected.
- The Clearance Unit collected \$20.7 million in delinquent business-related taxes and in administrative fees. This represents a 13.4% decrease from last fiscal year. Part of the decrease was due to staffing turnover and the resultant training time for new collectors assigned to the unit.
- Investigators collected a total of \$16.45 million using surveys, Board of Equalization, Franchise Tax Board, and other research sources.

Bureau of Delinquent Revenue Total Collections FY 2006-2007



LEGAL SECTION

The **Legal Section** files collection actions and litigates delinquent accounts within the Office of the Treasurer & Tax Collector's jurisdiction, becoming involved in specific cases only when other collection efforts have failed. The Legal section also responds to legal challenges to the Department's claims in bankruptcy court, probate court, and the state superior courts on judicial foreclosure and hospital cost recovery liens, and serves as legal advisor on collection issues.

The Legal Section provides legal advice and representation to the Bureau of Delinquent Revenue whenever a creditor claim or tax lien is in jeopardy of not being paid in the course of administering the bankruptcy case. Legal Section attorneys are called upon to give legal advice and recommendations to section supervisors and line staff on a variety of collection issues. The most significant topics were:

- The Tax Collector's authority to withdraw a parcel from the tax default sale when the owner is a charitable educational institution that had not completed its formal application process for a welfare exemption;
- The obligation of limousine operators to register for a Business Registration certificate and pay the registration fee;
- Legal finality of an administrative decision by the San Francisco Department of Public Works interpreting San Francisco Election Campaign Sign Removal Ordinance;
- Parking Tax liability of valet parking operators under a variety of factual circumstances;
- Obligation of valet parking operators to obtain a police parking permit under specific factual circumstances.

Fiscal Year 2006-07

Legal Section was instrumental in collecting **\$4,401,367** from the following activities:

- **Third Party Hospital Cost Recovery Liens, \$2,425,315:** Legal Section provided negotiation services, legal advice, appearances at settlement conferences and Worker Compensation Appeals Board hearings on 118 specific lien cases.
- **Unfiled Actions, \$1,679,556:** This category includes a variety of collection services distinct from litigation:
 - Negotiation of direct payment from the debtor;
 - Negotiations of installment payment contracts with the debtor (6 cases);
 - Preparation of the initial draft of the Tax Collector Decision on administrative hearings of taxpayer petition for appeal of business tax deficiency determinations (8 cases);

Legal Section Cost Recovery 5 Year Comparison



Legal Section Collections FY 2006-07

Hospital Lien Collections	\$2,425,315	55%
Unfiled Actions	1,679,556	38%
State Court Complaints & Judgments	238,146	5%
Bankruptcy	58,350	1%
Total	\$4,401,367	100%

- Assessment of 3 final determinations of delinquent Police Emergency Alarm License fees against alarm companies and follow-up collection services.
- Filed Actions in State Courts, \$238,146:** Legal Section filed 3 collection actions in the state court system, each leading to debtor payment before dismissal.
- Bankruptcy Collections, \$58,350:** Legal Section provided negotiation services and filing legal papers in Bankruptcy Court on Chapter 11 corporate reorganization cases.

ACCOUNTING RECONCILIATION SECTION

The **Accounting and Reconciliation Section** provides accounting and support services to the Office of the Treasurer & Tax Collector. The section batches, balances, posts and performs daily and monthly reconciliation of tax collections for the Property Tax and Business Tax sections, and reconciles transactions on the City's Financial Accounting Management Information System (FAMIS). The Accounting Section also generates various statistical reports for the department and for the Office of the Controller.

The primary goals of the Accounting Section are to:

- Provide adequate internal control systems to safeguard the City's assets
- Ensure payments are recorded timely and accurately
- Provide reports to other city agencies
- Assist the department with improving efficiency and productivity

Section Highlights

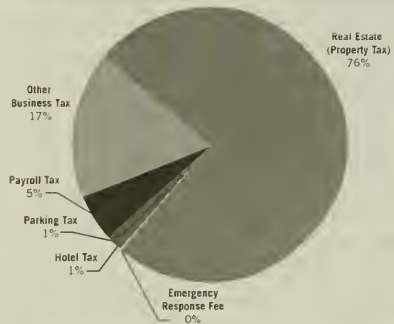
The Accounting Section reconciled 585,854 tax related transactions, totaling \$2.2 billion.

Accounting Section Reconciled Collections FY 2006-07

Tax Type	\$ millions	%	# Payments	%
Real Estate (Property Tax)	\$1,487	67.7%	439,543	75.0%
Emergency Response Fee	43	2.0%	766	0.1%
Hotel Tax	196	8.9%	5,447	0.9%
Parking Tax	59	2.7%	6,850	1.2%
Payroll Tax	327	14.9%	31,764	5.4%
Other Business Tax	85	3.9%	101,484	17.3%
Total	\$2,197	100.0%	585,854	100.0%

(Other Business Tax: Gross Receipts Tax, Roofers Fee, Registration Fee, Utility Users Tax)

Accounting Reconciliation Section Reconciled Collections FY 2006-2007



Investment Division

The **Investment Division** is responsible for managing and investing the City and County of San Francisco's funds to ensure sufficient liquidity to meet all anticipated disbursements. It is the policy of the department to invest public funds in a manner that will provide:

- Preservation of capital
- Liquidity to meet the daily cash flow demands of the City
- Investment return while conforming to all state and local statutes governing the investment of investment of public funds
- Social responsibility

The Investment Division is comprised of two sections: the **Cash Management Section** and the **Banking Services & Treasury Accounting Section**.



CASH MANAGEMENT SECTION

The **Cash Management Section** oversees the City's investment function and daily cash management operations. This section manages a portfolio of approximately \$3.5 billion in short term fixed income securities. Activities include portfolio cashflow analysis, asset/liability forecasting, risk assessment, breakeven analysis, relative value assessment, strategy development, trade execution, credit review and compliance activities. The department invests city funds in compliance with the Office of the Treasurer's Investment Policy, City Charter Section 6.106 and with the California State Government Code, Section 53600, when purchasing investment securities. The types of permissible investment securities include Negotiable Certificates of Deposit, Commercial Paper rated at least A-1/P-1, Banker's Acceptances, Federal Agency Notes and U.S. Treasury instruments. Common stocks are excluded from permissible investments. The Cash Management Section has consistently demonstrated prudent portfolio management with excellent results.

In addition to the investment function, the Cash Management Section also manages the City's relationships with financial service providers, and develops and implements citywide banking policies and services including wire transfers, check processing, and credit card acceptance.

This section provides other city departments with banking services and depository services. This includes sending wire or automatic clearing house (ACH) payments to various vendors and financial institutions on behalf of requesting department and includes providing any department with the ability to accept wire payments or electronic funds transfers from their customers through the City's wiring account.

Investments Outstanding as of June 30, 20007--All Funds

Investment Type	Portfolio %	Par Value (Millions)	Book Value (Millions)	Accrued Interest (Millions)
Treasury Bills	0.68%	\$25	\$24	
Treasury Notes	17.13%	615	612	\$6.7
FNMA Discount Notes	19.36%	722	692	
Fed Home Loan Disc Notes	15.25%	554	545	
FMC Disc Notes	18.99%	703	679	
Commercial Paper	16.56%	603	592	
Negotiable C.D.s	10.63%	380	380	5.8
Public Time Deposit	1.41%	50	50	
Total		\$3,652	\$3,575	\$12.5

Fiscal Year 2006-07 (Investment functions)

- The Treasurer acts as paying agent for various CCSF-issued General Obligations bonds. The Investment Division paid out \$81 million in interest payments and \$181 million in principal payments to bondholders in the form of a partial call of GO Bonds Series 1999A, 1999B, 1999C, & 1999D. The final call date is June 15, 2008.
- The Investment portfolio of \$3.57 billion during the period earned \$188 million and an earned income yield of 5.19% for the fiscal year ending June 30, 2007.

Fiscal Year 2006-07 (other Cash Management functions)

- Processed 1,697 wires valued at \$1.8 billion

Aside from managing the investment function and the daily deposit and disbursement of city funds, the Cash Management Section also implemented the following major projects:

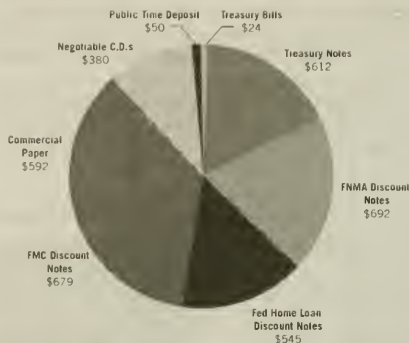
- Made refinements to "Bank of America (BA) Direct" - an online banking system that allows City departments to access their bank accounts and obtain various online reports
- Implemented Wells Fargo Online and Union Bank of California Online

TREASURY ACCOUNTING AND BANKING SERVICES

Treasury Accounting is responsible for reconciling and accounting for the receipt and deposits of all revenues collected by the Office of the Treasurer & Tax Collector. These payments come through the cashiering windows, mailroom, Internet/online, phone and over-the-counter credit card payments. This unit also prepares and processes adjusting journal entries related to returned items from previous deposits made to the banks, reclassification of Tax Collector revenues collected, and prepares work order billings for service requesting departments. These functions are performed in accordance with generally accepted accounting principles.

Banking Services staff processes the Port's lockbox collections and all monies collected from the State and through electronic fund transfers. It also accounts for the receipt and deposit of all payments received by and through the cashiering section of the Office of the Treasurer & Tax Collector and records them in the City's general ledger system (FAMIS). Banking staff also provides verifications to the City's banking institutions and provides banking support services to various City departments.

Investment Division Investment by Type (Millions) June 30, 2007



Social Programs

In January 2005, Mayor Gavin Newsom and Treasurer José Cisneros launched the Working Families Credit Program. The Working Families Credit was created to help low-income working families live and thrive in San Francisco and to encourage more families to apply for the federal Earned Income Tax Credit by offering a local match. The program has moved beyond the pilot phase, and been written into the City's permanent budget. In 2007, the Human Services Agency took over as the managing agency for the WFC and began linking these families with other federal, state and local benefits.

Beginning in Fiscal Year 2005-06, the Treasurer embarked upon another initiative for working families in San Francisco, with the launch of Bank on San Francisco. Bank on San Francisco works to address the needs of the estimated 50,000 unbanked San Francisco households and to prevent these families from using costly check cashers. With the launch of the program in the fall of 2006, San Francisco became the first city in the United States to address the problems faced by the unbanked by actively moving the marketplace of financial products and services. Treasurer Cisneros began by challenging every financial institution in San Francisco to partner with the City to create an initiative that would:

- Change bank products and policies to increase the supply of starter account options for this market.
- Raise awareness among consumers about the benefits of account ownership.
- Provide quality financial education to San Franciscans.

The true success of Bank on San Francisco is in the numbers – over 11,000 accounts were opened in the first year of the pilot alone. With an average monthly account balance of \$793, Bank on San Francisco is proving that with the right mix of products and outreach the unbanked can succeed in the financial mainstream. In light of this success, the goal has been raised to 20,000 accounts by October 2008.

Biographies

TREASURER JOSÉ CISNEROS



In September 2004, Mayor Gavin Newsom appointed José Cisneros as **Treasurer** for the City and County of San Francisco. As Treasurer, he serves as the City's banker and chief investment officer, managing all tax and revenue collection for San Francisco. He was elected to a full term in November 2005.

Treasurer Cisneros is proud to lead an accomplished and effective city department. Under his tenure, the office has achieved the lowest-ever property tax delinquency rate in the history of San Francisco. This means more services for the people of San Francisco, and lessens the pressure to increase taxes. Treasurer Cisneros has also achieved high investment returns, outpacing other large California counties—while preserving the safety and liquidity of the City's money. He is also proud of the excellent customer service offered to the people of San Francisco, which has consistently been rated "excellent" or "good" by more than 90% of those surveyed.

Treasurer Cisneros strongly believes that his role of safeguarding the City's money extends to all San Francisco residents. In January of 2005 Treasurer Cisneros led the implementation of the Working Families Credit Program, an innovative public/private partnership providing a tax credit to qualified San Francisco families. More than 9,500 of the City's lowest-income working families have received over \$2 million from the program, which provides a match to the federal Earned Income Tax Credit. Treasurer Cisneros continues to expand his role as a financial educator and advocate for low-income San Franciscans through creating innovative programs aiming to give all city residents access to a bank account and lessen the need for check cashers and payday lenders.

Prior to his appointment, Treasurer Cisneros served as Deputy General Manager for the San Francisco Municipal Transportation Agency. In this capacity, he managed MUNI's \$7 billion capital program designed to repair, replace and enhance system assets – including the 3rd Street Rail extension serving Chinatown, Mission Bay and the residents of Bay View and Hunters Point. Before working at MUNI, Treasurer Cisneros served as a member of the MTA Board of Directors and was instrumental in creating Proposition E, the Muni Reform Charter Amendment.

Treasurer Cisneros has a strong business background in the private sector, previously working for IBM Corporation and Lotus Development Corporation as a Senior International Product Manager. Prior to this, he was an Assistant Vice President at Bank of Boston where he managed financial product portfolios valued at over \$100 million.

José Cisneros received his Bachelor of Science from Sloan School of Management at the Massachusetts Institute of Technology (MIT) and studied for an MBA at Boston University. He lives with his partner in San Francisco.

GEORGE PUTRIS, TAX ADMINISTRATOR



Tax Administrator George Putris is a lawyer who has spent his career specializing in taxation law. Through both private practice and public service, he has gained extensive experience in the areas of federal income taxation, property taxation, state and local taxation, tax litigation, municipal finance, tax-exempt organizations and tax legislation. Immediately prior to undertaking the

position of Tax Administrator, Mr. Putris practiced law in the San Francisco City Attorney's Office, where, as Deputy City Attorney, he served primarily as counsel to the Office of the Treasurer & Tax Collector.

Mr. Putris is a graduate of the Martin Luther King, Jr. School of Law at the University of California, Davis. He also has an LL.M. degree in Taxation Law from New York University. He received his BA degree from the University of California, Berkeley. Mr. Putris is a member of the California Bar Association. He is the Chair of the Legislative Committee of the California Association of County Treasurers and Tax Collectors.

PAULINE MARX, CHIEF ASSISTANT TREASURER



As **Chief Assistant Treasurer**, Pauline Marx serves as Deputy to José Cisneros and manages the investment, banking, cashing, remittance, customer service, and administrative functions for the Office of the Treasurer and Tax Collector.

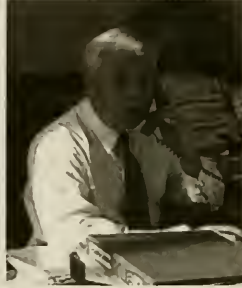
Pauline Marx joined the Office of the Treasurer and Tax Collector in January, 2005 after serving nine

years with the City of Emeryville as Finance Director and Treasurer. In Emeryville her duties included management of the City's accounting and revenue collection functions, budgeting, debt and investments, and the City's information technology efforts.

Pauline Marx grew up in New York City. She has a bachelor's degree from the University of Michigan and an MBA from Yale School of Management. She has lived in the San Francisco bay area since 1979, working for both investment banking firms and local governmental agencies, always focusing on the intersection of business and public policy at the local government level.

Ms. Marx serves on the board of directors of the California Society of Municipal Finance Officers and is a Certified California Municipal Treasurer.

DANIEL P. DALY, CHIEF INVESTMENT OFFICER



Since June of 1981, Daniel P. Daly has served as the **Chief Investment Officer** for the City and County of San Francisco. During his tenure, the City "Pooled Portfolio" has grown from \$500 million to the present portfolio of \$3.6 billion dollars.

In addition to his investment duties, Dan also directs the banking relationships for the City & County and is a

trustee of the Transport Workers Union Municipal Railway Trust Funds.

Prior to joining the Office of the Treasurer & Tax Collector, Mr. Daly worked for Citibank in New York City as an Assistant Vice President for marketing in midtown Manhattan. Mr. Daly also worked as a Vice President for First Interstate Bank (Wells Fargo) managing securities broker-dealer relationships in both Northern California and New York City. Mr. Daly is an alumnus of Fordham University and a veteran, having served in the United States Marine Corps in Vietnam.

Key Contacts

Treasurer	José Cisneros	554-4478
Tax Administrator	George Putris	554-4874
Chief Assistant Treasurer	Pauline Marx	554-5260
Chief Investment Officer	Daniel P. Daly	554-4487
Policy and Legislative Manager	David Augustine	554-7601

SECTION MANAGERS

Accounting Section	Wilson Hsu	554-4327
Administration Section	Pauline Marx	554-5260
Bureau of Delinquent Revenue	Margarita Rodriguez (*acting)	554-4608
Business Tax Section	Florence Mar	554-4874
Cash Management Section	Janet Tolenada	554-5263
Cashiering Section	Sonia Martinez	554-4490
Legal Section	Robert Fletcher	554-4492
Management Information Section	Darrell Ascano	554-4438
Property Tax & License Section	Francis Nguyen	554-4448
Taxpayer Assistance & Passport Services	DJ Dull-MacKenzie	554-4643

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